



*Inconsistent Adherence to Quality
Requirements Continues to Affect the
Accuracy of Some Tax Returns
Prepared at Volunteer Sites*

September 16, 2013

Reference Number: 2013-40-110

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

1 = Tax Return/Return Information

Phone Number / 202-622-6500

E-mail Address / TIGTACommunications@tigta.treas.gov

Website / <http://www.treasury.gov/tigta>



HIGHLIGHTS

INCONSISTENT ADHERENCE TO QUALITY REQUIREMENTS CONTINUES TO AFFECT THE ACCURACY OF SOME TAX RETURNS PREPARED AT VOLUNTEER SITES

Highlights

Final Report issued on September 16, 2013

Highlights of Reference Number: 2013-40-110 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 the population of individual taxpayers, including low- to moderate-income, elderly, disabled, and limited-English-proficient taxpayers. However, ensuring that tax returns are accurately prepared remains a challenge for the Volunteer Program. Problems with the accuracy of some of the tax returns affect the taxes owed and refunds received by these taxpayers.

WHY TIGTA DID THE AUDIT

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

WHAT TIGTA FOUND

The IRS continues to emphasize to volunteers the necessity of reviewing the intake/interview sheets with taxpayers during tax return preparation. In addition, training and resource materials were adjusted to clarify and underscore the due-diligence obligations of volunteers. However, there were still accuracy problems with some of the tax returns prepared for TIGTA auditors making anonymous visits to Volunteer Program sites.

Of the 39 tax returns prepared for auditors during the 2013 Filing Season, 20 (51 percent) were prepared correctly and 19 (49 percent)

were prepared incorrectly. This is a two-percentage-point increase over the 49 percent accuracy rate for the same number of returns in the 2012 Filing Season.

The 19 incorrect tax returns resulted from incorrect application of the tax law, insufficient requests for information during the intake/interview process, or lack of adherence to quality review requirements.

The IRS continues to refine its anonymous shopping process to evaluate the accuracy of tax returns prepared at Volunteer Program sites. This process reported a 49 percent accuracy rate for the 43 tax returns prepared, which compares with the 51 percent accuracy rate TIGTA found. The IRS's anonymous shopping also found the same causes that TIGTA reported for the inaccurately prepared tax returns.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS ensure that volunteer return preparers, quality reviewers, and site coordinators annually complete intake/interview and quality review training. In response to this report, the IRS agreed to the recommendation and plans to require that all volunteer instructors, return preparers, quality reviewers, and site coordinators complete intake/interview and quality review training annually.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 16, 2013

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some Tax Returns Prepared at
Volunteer Sites (Audit # 201340001)

This report presents the results of our review to determine whether taxpayers visiting Internal Revenue Service (IRS) Volunteer Program sites receive quality service, including accurately prepared tax returns. This was a follow-up audit to prior Treasury Inspector General for Tax Administration reviews and is part of our Fiscal Year 2013 Annual Audit Plan. This audit addresses the major management challenge of Providing Quality Taxpayer Service Operations.

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

Copies of this report are also being sent to the IRS managers affected by the report recommendation. Please contact me if you have questions or Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



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Abbreviations

IRA	Individual Retirement Arrangement
IRS	Internal Revenue Service
SPEC	Stakeholder Partnerships, Education, and Communication
TCE	Tax Counseling for the Elderly
TIGTA	Treasury Inspector General for Tax Administration
VITA	Volunteer Income Tax Assistance



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Background

The Internal Revenue Service (IRS) Volunteer Program plays an important role in facilitating participation in the tax system. It 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. It includes sites operated in partnership with the military and with various community-based organizations. The Volunteer Program is comprised of the Volunteer Income Tax Assistance (VITA) Program, including the VITA Grant Program, and the Tax Counseling for the Elderly (TCE) Program.

The VITA Program was originated in 1969 due to enactment of the Tax Reform Act of 1969 and an increased emphasis on taxpayer education programs.¹ The IRS has placed continual emphasis on expanding the VITA Program through increased recruitment of various religious, social and nonprofit, corporate, financial, educational, and government organizations; involvement of the military on a national level; and expansion of assistance provided to the limited-English-proficient community.

***Volunteers play an
increasingly important role
in facilitating participation
in the tax system.***



The TCE Program began with the Revenue Act of 1978, which authorized the IRS to enter into agreements with private or nongovernmental public nonprofit agencies and organizations to provide training and technical assistance to volunteers who provide free tax counseling and assistance to elderly individuals in the preparation of their Federal income tax returns.² The law authorizes an appropriation of special funds, in the form of grants, to provide tax assistance to persons age 60 and older. The IRS receives the funds as a line item in the budget appropriation. The total funds are distributed to the sponsors for their expenses.³

Since Fiscal Year 2009,⁴ the IRS has granted funds for the VITA Grant Program. For the 2013 Filing Season,⁵ 206 organizations were awarded \$12.1 million in matching grants. The grants are to be used to increase the capacity to file tax returns electronically and enhance training of volunteers at VITA sites.

¹ Pub. L. No. 91-172, 83 Stat. 487 (codified as amended in scattered sections of 26 U.S.C. and 42 U.S.C.).

² Pub. L. No. 95-600, 92 Stat. 2810.

³ A sponsor would be an entity similar to the AARP (formerly the American Association of Retired Persons).

⁴ A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.

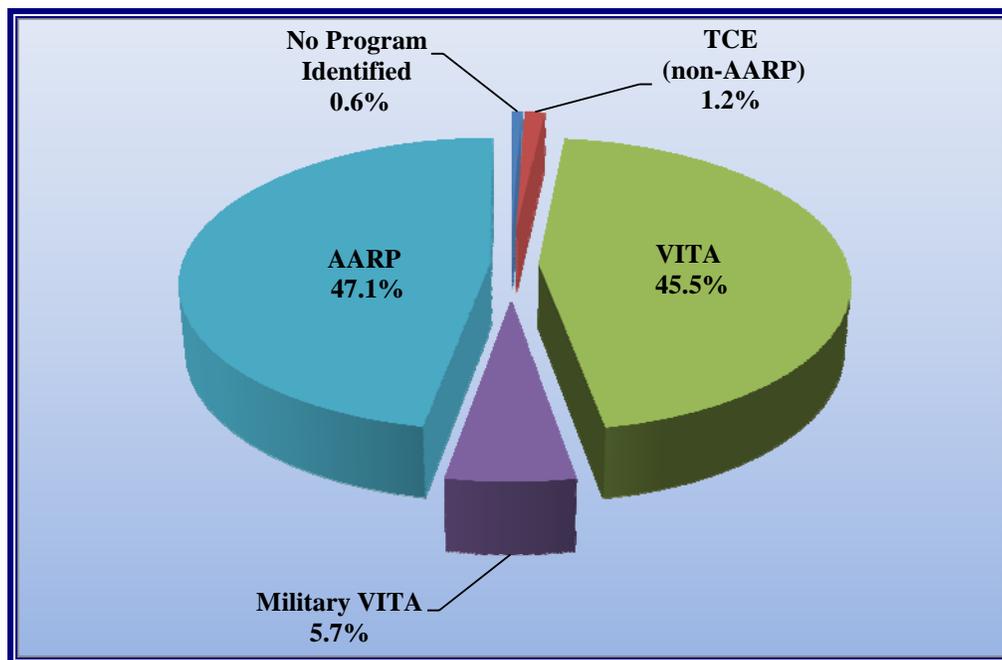
⁵ The period from January through mid-April when most individual income tax returns are filed.



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For the 2013 Filing Season, there were a total of 13,081 Volunteer Program sites. As of April 17, 2013, volunteers prepared almost 1.5 million individual income tax returns at VITA and Military VITA sites and more than 1.4 million at TCE/AARP sites. Figure 1 provides a breakdown of the Volunteer Program and the percentage of tax returns prepared at the different types of program sites during the 2013 Filing Season.

Figure 1: Percentage of Tax Returns Prepared at the Volunteer Program Sites During the 2013 Filing Season



Source: Individual Return Transaction File.⁶

The IRS Stakeholder Partnerships, Education, and Communication (SPEC) function is responsible for providing oversight for the Volunteer Program, which includes determining policies and procedures, developing products and training material, and monitoring and managing Volunteer Program activity. The SPEC function's concept of operations includes looking for opportunities to assist third parties with helping taxpayers understand and meet their tax obligations by promoting collaboration among tax practitioners, tax preparers, and community partners to support the Volunteer Program.

⁶ The Individual Return Transaction File contains individual tax return data.



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Tax scenarios used by auditors reflected tax topics volunteers were trained to handle for taxpayers seeking assistance from the Volunteer Program

Three scenarios were designed for Treasury Inspector General for Tax Administration (TIGTA) auditors to use as they posed as taxpayers having tax returns prepared by volunteers (referred to as shopping). These scenarios were developed to use characteristics of taxpayers who visit Volunteer Program sites to have a tax return prepared. The scenarios included only tax topics for which the volunteers had been trained. In addition, although most tax returns prepared by volunteers are prepared for taxpayers who file with no dependents, auditors used two scenarios that included tax topics dealing with dependents and related tax credits. These two scenarios included tax topics dealing with dependents and related tax credits to assess the volunteers' use of the tools the SPEC function created to ensure that accurate tax returns are prepared.

Analysis of tax returns prepared in the 2013 Filing Season as of April 17, 2013, identified that dependent-related credits accounted for \$1.7 billion (43 percent) of the \$3.9 billion in tax refunds issued to the 2.9 million taxpayers who used Volunteer Program tax preparation assistance. These credits—the Earned Income Tax Credit, the Child Tax Credit, and the Additional Child Tax Credit—are available to taxpayers who have dependents. Figure 2 shows the amount of refunds or balances due and credits claimed by taxpayers on Tax Year 2012 returns prepared by the Volunteer Program.

**Figure 2: Refunds or Balances Due and Credits Claimed
Generated From Tax Returns Filed as of April 17, 2013,
Prepared by the Volunteer Program⁷**

Refund Due/ Balance Due	Dollar Totals	Tax Return Volume	Percentage of Tax Return Volume
Refunds Due	\$3,930,063,154	2,430,493	83.7%
Balances Due	\$137,042,003	192,772	6.6%
Breakeven	\$0	280,560	9.7%
Credits Claimed	Dollar Totals	Tax Return Volume	
Earned Income Tax Credit	\$1,106,534,596	698,383	
Additional Child Tax Credit	\$358,946,402	308,676	
Child Tax Credit	\$224,420,861	225,776	
Total	\$1,689,901,859		

Source: Analysis of Tax Year 2012 tax returns filed as of April 17, 2013.

⁷ See Appendix VIII for tables showing the general characteristics of tax returns prepared by the Volunteer Program.



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The following are the three scenarios used by auditors during the 2013 Filing Season:

Scenario 1 – The taxpayer was single, had never been married, and lived with his or her sibling. The taxpayer had one child or grandchild, age eight, who lived with the taxpayer in the home during the summer, about three months a year. The child lived with the mother/father during the school year, about nine months of the year. During Tax Year 2012, the taxpayer worked at a school as a teacher's aide; at a home improvement store (was laid off); and at a local retail store. Total income reported on the 2012 Forms W-2, *Wage and Tax Statement*, was \$17,034. The taxpayer received a 2012 1099-INT, *Interest Income Statement*, totaling \$7.35. The taxpayer spent \$350 for school supplies. The taxpayer won \$1,900 playing the slot machines at a casino over the 4th of July holiday (won on July 5); \$285 in Federal income tax was withheld from the winnings.

An accurately prepared tax return would result in the taxpayer receiving a refund of \$311. The tax return preparer would have correctly determined that the taxpayer's filing status was Single. The taxpayer did not provide more than half of the cost of keeping up a home for a qualifying child, and the taxpayer could not claim the child as a dependent for Child Tax Credit purposes. The Earned Income Tax Credit would not be available to the taxpayer because the child did not live with the taxpayer for more than half of the year and the earned income exceeded the maximum allowable amount for a single taxpayer with no qualifying dependents.

Scenario 2 – The taxpayer was divorced and lived with his or her nine-year-old child or grandchild. The taxpayer had wages reported on 2012 Forms W-2 totaling \$29,232. The taxpayer was paid biweekly and contributed \$1,263 to a 401(k) retirement plan. The taxpayer received a 2012 Form 1099-INT totaling \$4.13, received \$300 a month for child support, and had dependent care expenses totaling \$1,370.

An accurately prepared tax return would result in the taxpayer receiving a refund of \$2,761. The tax return preparer would have correctly determined that the taxpayer's filing status was Head of Household and the dependency exemption could be claimed. In addition, the taxpayer qualified for an Earned Income Tax Credit of \$1,230, a Child Tax Credit of \$823, an Additional Child Tax Credit of \$177, a Child and Dependent Care Credit of \$370, and a Retirement Savings Contributions Credit of \$126.

Scenario 3 – The taxpayer was single with no dependents and shared an apartment with a friend. The taxpayer was employed at a home improvement center and had wages reported on the 2012 Form W-2 in the amount of \$18,435. The taxpayer was also self-employed and earned a total of \$17,800 and had expenses totaling \$4,857.



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A correctly prepared tax return would result in the taxpayer owing \$3,320. The preparer would have correctly determined that the taxpayer's filing status was Single.

Prior TIGTA reviews identified concerns with the accuracy of tax returns prepared at Volunteer Program sites

We have continually reported that Volunteer Program sites are inaccurately preparing tax returns. Inaccurate tax returns result from volunteers not obtaining sufficient information from the auditors to apply the tax law correctly and volunteers not always following intake/interview and quality review guidelines.⁸ We have recommended that the IRS continue to emphasize the necessity of reviewing Form 13614-C, *Intake/Interview & Quality Review Sheet*,⁹ with taxpayers during tax return preparation and establish due diligence guidelines for volunteers.

This review was performed at the SPEC function in the Wage and Investment Division in Atlanta, Georgia, during the period January through June 2013. This audit included an assessment of tax returns prepared at VITA sites and TCE/AARP sites. From February through April 2013, TIGTA auditors performed 39 anonymous visits and had 39 tax returns prepared at 39 judgmentally selected Volunteer Program sites located in 10 States.¹⁰ Three sites were selected in five States, six sites were selected in three States, four sites were selected in one State, and two sites were selected in one State. Appendix IV provides a list of the 10 States and the specific cities where the sites were located.

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.

⁸ See Appendix IX for a list of all prior reports.

⁹ See Appendix VI for a copy of the Intake/Interview & Quality Review Sheet.

¹⁰ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



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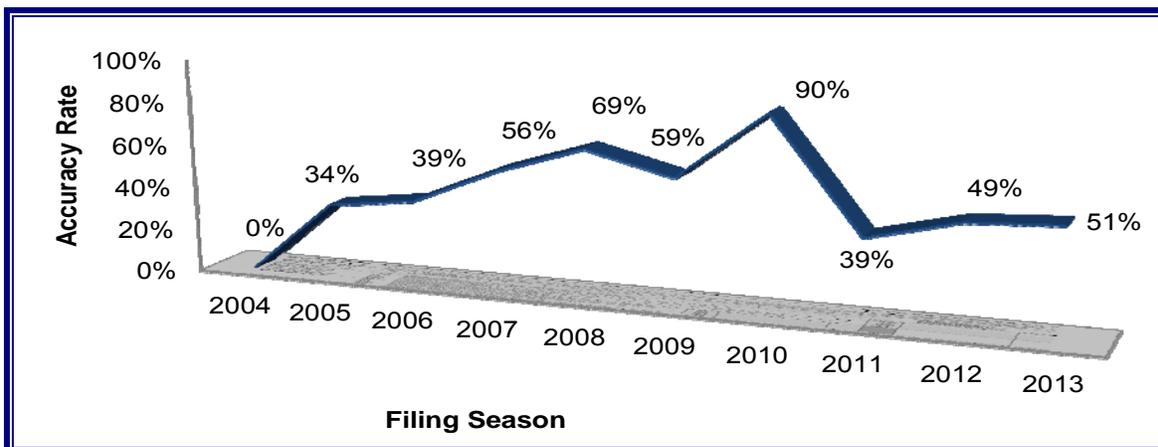
Results of Review

***Interview and Quality Review Procedures Are Often Not Followed,
Which Affects the Accuracy of Tax Returns***

The IRS continues to emphasize to volunteers the necessity of reviewing Form 13614-C with taxpayers during tax return preparation. In addition, training and resource materials were clarified to underscore the due diligence obligations of volunteers. However, the accuracy rate continues to be low for tax returns prepared for TIGTA auditors making anonymous visits to VITA sites. Of the 39 tax returns prepared for auditors during the 2013 Filing Season, 20 (51 percent) were prepared correctly and 19 (49 percent) were prepared incorrectly. This is a two percentage point increase over the 49 percent accuracy rate in the 2012 Filing Season. Our results cannot be used to project to the population of tax returns prepared at VITA sites because the tax returns we had prepared were included as part of a judgmental sample. A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

If the 19 incorrect tax returns had been filed, 11 taxpayers would not have been refunded a total of \$3,589 to which they were entitled, five taxpayers would have owed a total of \$1,088 in tax and/or penalties more than they should have owed, two taxpayers would have received a refund of \$260 more than the amount to which they were entitled, and one taxpayer would have owed \$956 less than he or she should have owed. Figure 3 shows the accuracy rates of tax returns prepared for auditors during Filing Seasons 2004 through 2013.

Figure 3: Tax Return Accuracy Rates for the 2004–2013 Filing Seasons



Source: Tax returns prepared for our auditors by volunteers during the 2004–2013 Filing Seasons.



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The 19 incorrect 2013 Filing Season tax returns were incorrectly prepared because volunteers did not apply the tax law correctly, obtain sufficient information from the auditors during the intake/interview process, or follow quality review requirements when preparing tax returns. Lastly, when using Scenario 3, auditors expected the volunteers to educate the auditor on the estimated tax penalty because the scenario resulted in tax being owed. Volunteer Program guidelines instruct volunteers not to calculate or impose the penalty. However, the volunteer should explain that the penalty would *not* be added to the tax return by the volunteer, but that the IRS would calculate the penalty and could send a subsequent bill. Only one volunteer educated the shopper about the estimated tax penalty. Figure 4 shows the accuracy rate by scenario.

**Figure 4: Tax Return Accuracy Rates
for the 2013 Filing Season by Scenario**

Tax Scenario Used	Number of Tax Returns Prepared Using the Scenario	Accuracy Rate
Scenario 1	13	31%
Scenario 2	13	69%
Scenario 3	13	54%
Total Accuracy	39	51%

Source: Tax returns prepared for auditors during the 2013 Filing Season.

Four tax topics contributed to most of the errors

Of the 16 tax topics used in the three scenarios, the following four tax topics contributed to the most errors and caused a significant decrease in the overall accuracy rate. See Appendix V for the accuracy rates of all tax topics.

- **The Individual Retirement Arrangement (IRA) deduction: 46 percent accuracy rate.** Volunteers did not include this deduction on the inaccurately prepared tax returns because they did not completely review the Form 13614-C. Taxpayers can reduce taxable income by contributing money to a traditional IRA. Contributions to IRAs can be made as late as the first due date of a tax return and can be considered retroactive to the previous tax year. Contributions up to certain limits can be subtracted from adjusted gross income.
- **The Educator Expense deduction: 54 percent accuracy rate.** Volunteers did not include this deduction on the inaccurately prepared tax returns because they did not completely review the Form 13614-C. This deduction is available to eligible educators in public or private elementary or secondary schools. To be eligible, a person must work at least 900 hours during a school year as a teacher, instructor, counselor, principal, or aide. Educators may subtract up to \$250 of qualified expenses when figuring their adjusted



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gross income. This deduction is available whether or not the taxpayer itemizes deductions on Form 1040, *U.S. Individual Income Tax Return*, Schedule A, *Itemized Deductions*.

- **The Retirement Savings Contribution Credit: 62 percent accuracy rate.** Volunteers did not include this deduction on the inaccurately prepared tax returns because they did not completely review the Form 13614-C. Eligible taxpayers can claim this credit if they meet specific income qualifications and made a contribution to a qualified IRA, 401(k), or certain other retirement plans. The credit is worth up to \$1,000 (\$2,000 if filing jointly). The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.
- **The Schedule C Business Expense: 69 percent accuracy rate.** Volunteers did not properly calculate total expenses because they did not always add mileage expenses to the supply costs to obtain total expenses. Taxpayers report income or loss from operating a business or practicing a profession as a sole proprietor on Form 1040 Schedule C, *Profit and Loss From Business*. An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit and the taxpayer is involved in the activity with continuity and regularity.

Tax returns were prepared incorrectly because volunteers did not always follow interview and quality review requirements

Each taxpayer using the services offered through the Volunteer Program should be confident that they are receiving accurate tax return preparation and quality service. To establish this confidence and trust, volunteers are required to complete and sign the Form 13615, *Volunteer Standards of Conduct Agreement – VITA/TCE Programs*, and maintain the highest standards of ethical conduct while providing quality service.¹¹ The first standard of conduct is that the volunteer must follow the Quality Site Requirements. Quality Site Requirements include mandatory requirements of an effective interview with the taxpayer and a quality review of the return. However, volunteers did not always comply with these requirements, which resulted in inaccurately prepared tax returns.

Intake and interview guidelines were not always followed.

For all 39 (100 percent) tax returns prepared, a Form 13614-C was prepared as required. However, for 15 (38 percent) of the tax returns, volunteers did not thoroughly review the Forms 13614-C or fully use the form to prepare the tax returns. Of the 15 tax returns prepared by these volunteers, 12 (80 percent) were prepared inaccurately.

¹¹ See Appendix VII for the Volunteer Standards of Conduct Agreement – VITA/TCE Programs.



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In addition, for the 39 sites visited:

- 25 (64 percent) volunteers did not explain to the auditor that they were ultimately responsible for the tax return.
- Seven (18 percent) tax returns were not quality reviewed.
- One (3 percent) volunteer did not verify the auditor's identity.

Form 13614-C Sections A and B guide the volunteer through the interview with the taxpayer and allow the volunteer and taxpayer to gather all necessary information needed to complete an accurate tax return. The intake and interview process must include all of the following:

- Verifying the identity and address of the taxpayer(s).
- Advising taxpayers of their ultimate responsibility for information on the return and that by signing the return, the taxpayer is guaranteeing under penalty of perjury that they have examined the return and its accompanying forms and schedules for accuracy.
- Explaining the tax return preparation process to the taxpayer and encouraging him or her to ask questions throughout the interview process.
- Completing Form 13614-C.
- Confirming the taxpayer's responses provided on the Form 13614-C for completeness and accuracy.
- Reviewing supporting documentation and confirming with the taxpayer that all income was discussed and noted on the Form 13614-C to ensure that it will be included on the tax return.
- Exercising due diligence when preparing tax returns, including asking a taxpayer to expand on information that may not appear to be true or accurate.

Quality review guidelines were not always followed.

For each of the 19 tax returns prepared incorrectly, one or more of the quality review requirements were not followed. For example:

- For 16 (84 percent) incorrect tax returns, quality reviewers did not review the entire Form 13614-C.
- For 12 (63 percent) incorrect tax returns, auditors were not involved in the quality review process.
- For four (21 percent) incorrect tax returns, no quality review was performed.

For every tax return prepared, volunteers are required to ensure that the tax return is quality reviewed. Quality reviewers use Form 13614-C, Section C, to confirm that the tax return is free



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from error based on the taxpayer interview, supporting documentation, and completed Form 13614-C. Figure 5 presents a summary of the Volunteer Program quality review process requirements.

Figure 5: Volunteer Program Quality Review Requirements

A quality review process at each site must be used to confirm that the tax law was correctly applied and that the tax return is free from error and has been prepared correctly based on all available information. A quality review process at each site must contain the following critical components for an effective and thorough quality review of the tax return:

1. The taxpayer should participate in the quality review process to solicit their understanding and agreement to the facts of the tax return.
2. The quality reviewer is required to use Form 13614-C, Section C, during the review.
3. The quality reviewer is required to use the available source documents to confirm identity, income, expenses, credits, and deposit/debit information on the tax return.
4. If applicable, the quality reviewer may have to refer to Publication 4012, *VITA/TCE Volunteer Resource Guide*, and/or Publication 17, *Your Federal Income Tax (For Individuals)*.

Source: VITA and TCE Quality Site Requirements – Updates for 2013.

Partner organizations and their volunteers play a significant role in the program. For this reason, the IRS has taken numerous actions and committed significant resources to developing processes intended to increase the accuracy of tax returns prepared by volunteers. For example, the SPEC function issued eight Volunteer Tax and Quality Site Requirement alerts throughout the 2013 Filing Season, including the following alert on March 1, 2013:

Quality Site Requirements Alert 2013-03 – Intake/Interview and Quality Review Process – All volunteer return preparers supporting the VITA and TCE programs must use Intake/Interview & Quality Review Sheet (Form 13614-C) for every taxpayer. The purpose of an Intake/Interview process is to use the completed intake sheet to initiate a conversation between the volunteer and taxpayer that ultimately leads to an accurately prepared tax return.

In addition, the IRS created a training document with detailed guidance on the IRS's intake/interview and quality review processes. However, the IRS encourages but does not require volunteer return preparers and quality reviewers to complete this training, nor does the IRS require site coordinators to complete training on the intake/interview and quality review guidelines. Considering the number of volunteers and quality reviewers who did not follow the IRS guidelines and that most of the errors would not have been made or would have been



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detected had the guidelines been followed, site coordinators should be required to complete training on these processes. Site coordinators are responsible for overseeing the volunteers' work and should have a full understanding of the requirements to ensure that volunteers preparing tax returns and performing quality reviews follow the guidelines.

The IRS continues to refine its anonymous shopping process to assess the accuracy of tax returns prepared at Volunteer Program sites

The IRS's SPEC function continues to refine its anonymous shopping process to evaluate the accuracy of tax returns prepared at Volunteer Program sites. For example, the SPEC function issues guidance and VITA publications to support the anonymous shopping process, including:

- Pertinent information necessary to conduct a successful site review.
- Details to ensure tax law accuracy and gauge taxpayer experience.
- Quality Site Requirements.

The anonymous shopping process consists of IRS employees posing as taxpayers with predefined scenarios to have their Federal tax returns prepared. The accuracy rate reported by this process for the 43 sites visited during the 2013 Filing Season was 49 percent for the 43 tax returns prepared. This accuracy rate compares with the 51 percent accuracy rate we found. In addition, the SPEC function's anonymous shopping found the same causes that we identified for the inaccurately prepared tax returns.

Recommendation

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Ensure that all volunteer return preparers, quality reviewers, and site coordinators complete intake/interview and quality review training annually.

Management's Response: The IRS agreed with this recommendation. IRS management will require that all volunteer instructors, return preparers, quality reviewers, and site coordinators complete intake/interview and quality review training annually.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether taxpayers visiting Volunteer Program sites receive quality service, including accurately prepared tax returns. To accomplish our objective, we:

- I. Determined if the Volunteer Program sites were accurately preparing individual income tax returns based on facts provided by the taxpayers. From a population of 13,081 sites, we selected a judgmental sample¹ of 39 VITA and TCE/AARP sites nationwide and attempted to have a tax return prepared. Due to audit resources, three sites were selected in five States, six sites were selected in three States, four sites were selected in one State, and two sites were selected in one State.

Site selection was based on audit resources, proximity of sites to major cities, and geographical location of the auditors. In addition, to expand testing to include sites never tested, we also eliminated most cities and sites selected in prior audits. We could not select a statistical sample due to the volume of sites and geographical location of the sites that would need to be selected. Finally, we did not advise the IRS beforehand of which sites were included in the testing.

- II. Determined the characteristics of tax returns prepared at the Volunteer Program sites. We assessed the reliability of the data by comparing 10 return transactions from the Individual Return Transaction File data to the Integrated Data Retrieval System² and determined that the data were sufficiently reliable for purposes of this report.
- III. Determined if the IRS's anonymous site visit procedures are adequate to test tax law accuracy and sufficient to gauge taxpayer experience.
- IV. Followed up on the IRS's corrective actions to the 2012 Filing Season report's recommendation to ensure that the IRS established guidelines for recommended due diligence for volunteers when preparing tax returns.

¹ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

² IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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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 SPEC function's policies, procedures, and practices for preparing tax returns. We evaluated controls by interviewing management and reviewing policies and procedures. We also conducted tests at Volunteer Program sites.



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Appendix II

Major Contributors to This Report

Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services)
W. Allen Gray, Director
Paula W. Johnson, Audit Manager
M. Jean Bell, Lead Auditor
Doug Barneck, Senior Auditor
Robert Howes, Senior Auditor
Dave Robben, Senior Auditor
Jerome Antoine, Auditor
Jeremy Berry, Auditor
Tracy Hernandez, Auditor
Nelva Usher, Auditor
Ed Carr, Program Analyst
Ismael Hernandez, Program Analyst
Blanche Lavender, Information Technology Specialist



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Appendix III

Report Distribution List

Acting Commissioner
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Office of the Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Operations, Wage and Investment Division SE:W
Deputy Commissioner, Support, Wage and Investment Division SE:W
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
SE:W:CAR
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Senior Operations Advisor, Wage and Investment Division SE:W:S
Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PEI
Director, Stakeholder Partnerships, Education and Communication, Wage and Investment
Division SE:W:CAR:SPEC
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: Chief, Program Evaluation and Improvement, Wage and Investment Division
SE:W:S:PEI



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Appendix IV

*Cities and States Visited
to Have Tax Returns Prepared*

Arizona	Tucson
Florida	Orlando
Georgia	Atlanta, Snellville, Lithonia
Kentucky	Covington, Lexington, Newport, Erlanger, Cynthiana
Massachusetts	Brighton, Brookline, Dorchester
Ohio	Cincinnati, Dayton, Fairfield, Beavercreek, West Milton, Hamilton
Oklahoma	Oklahoma City, Midwest City
Pennsylvania	Philadelphia
Texas	Dallas, Georgetown, Round Rock, Frisco
Washington	Seattle



*Inconsistent Adherence to Quality Requirements
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Appendix V

Accuracy Rate by Tax Topic

Tax Topic	Number of Tax Returns Using Tax Topic	Percentage Correct
Additional Child Tax Credit	13	92%
Child and Dependent Care Credit	13	85%
Child Tax Credit	13	92%
Earned Income Tax Credit	13	85%
Educator Expense	13	54%
Estimated Tax Penalty	13	85%
Exemptions	39	92%
Filing Status	39	95%
Gambling Winnings	13	92%
IRA Deduction	13	46%
Interest	26	100%
Retirement Savings Contribution Credit	26	62%
Schedule C Expenses	13	69%
Schedule C Income	13	92%
Standard Deduction	39	97%
Wage Income	39	100%

Source: Analysis of tax returns prepared for auditors during the 2013 Filing Season.



*Inconsistent Adherence to Quality Requirements
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Tax Returns Prepared at Volunteer Sites*

Appendix VI

Intake/Interview & Quality Review Sheet

Form 13614-C (Rev. 10-2012)	Department of the Treasury – Internal Revenue Service Intake/Interview & Quality Review Sheet	OMB # 1545-1964
---------------------------------------	---	-----------------

Section A. Complete Pages 1-3

You are responsible for the information on your return so please provide complete and accurate information to the IRS certified volunteer preparer. If you have any questions please ask your preparer.

You will need your:

- Tax information such as Forms W-2, 1099, 1098.
- Social security cards or ITIN letters for you and all persons on your tax return.
- Picture ID (such as a valid driver's license or other government issued ID for you and your spouse, if applicable).

Part I. Your Personal Information

1. Your First Name	M. I.	Last Name	Are you a U.S. Citizen?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Your Spouse's First Name	M. I.	Last Name	Is your spouse a U.S. Citizen?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing Address	Apt#	City	State	Zip Code
4. Contact Information Phone:		Cell Phone:	E-mail:	
5. Your Date of Birth	6. Your Job Title	Are you:	7. Legally Blind	<input type="checkbox"/> Yes <input type="checkbox"/> No
			8. Totally and Permanently Disabled	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Your Spouse's Date of Birth	10. Your Spouse's Job Title	Is Your Spouse:	11. Legally Blind	<input type="checkbox"/> Yes <input type="checkbox"/> No
			12. Totally and Permanently Disabled	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Can anyone claim you or your spouse on their tax return? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure				

Part II. Marital Status and Household Information

1. As of December 31, 2012, were you?
 Single
 Married: Did you live with your spouse during any part of the last six months of 2012? Yes No
 Divorced or Legally Separated: Date of final decree or separate maintenance agreement: _____
 Widowed: Year of spouse's death: _____

2. List names below of **everyone** who lived in your home in 2012 (other than you or spouse). Also list anyone who lived outside of your home that you supported during 2012. If additional space is needed please check here and list on page 3.

Name (first, last) Do not enter your name or spouse's name below. (a)	Date of Birth (mm/dd/yy) (b)	Relationship to you (e.g. daughter, son, mother, sister, none) (c)	Number of months lived in your home in 2012 (d)	US Citizen or resident of US, Canada or Mexico in 2012 (yes/no) (e)	Marital Status as of 12/31/12 (S/M) (f)	Full- time Student in 2012 (yes/no) (g)	Received less than \$3800 income in 2012 (yes/no) (h)

To check the status of your REFUND visit "Where's My Refund?" on www.irs.gov
or call 1-800-829-1954 for assistance.

Volunteers assisting with preparing your return are trained to provide high quality service and uphold the highest ethical standards.

To report unethical behavior to IRS, email us at wi.voltax@irs.gov or call toll free 1-877-330-1205.



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Section A. Please complete – check Yes, No or Unsure to all questions below. Please ask if you need help.

Part III. Income – In 2012, did you (or your spouse) receive:

- | Yes | No | Unsure | |
|--------------------------|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. Wages or Salary? (Form W-2) If yes, how many jobs did you have in 2012? _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2. Tip Income? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. Scholarships? (Forms W-2, 1098-T) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 4. Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. Refund of state/local income taxes? (Form 1099-G) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. Alimony Income? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7. Self-Employment Income? (Form 1099-MISC) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8. Cash/check payments for any work performed not reported on Forms W-2 or 1099? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9. Income (or loss) from the sale of Stocks, Bonds or Real Estate (including your home)? (Forms 1099-S, 1099-B) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10. Disability Income (such as payments from insurance, or workers compensation)? (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11. Distributions from Pensions, Annuities, and/or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 12. Unemployment Compensation? (Form 1099-G) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 13. Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 14. Income (or loss) from Rental Property? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 15. Other Income: (gambling, lottery, prizes, awards, jury duty, etc.)? (Forms W-2 G, 1099-MISC)
Specify: _____ |

Part IV. Expenses – In 2012 Did you (or your spouse) pay:

- | Yes | No | Unsure | |
|--------------------------|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. Alimony: If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2. Contributions to a retirement account? <input type="checkbox"/> IRA <input type="checkbox"/> Roth IRA <input type="checkbox"/> 401K <input type="checkbox"/> Other |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. Educational expenses for yourself, spouse or dependents, such as tuitions, books, fees, etc.? (Form 1098-T) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 4. Unreimbursed employee business expenses (such as uniforms or mileage)? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. Medical expenses (including health insurance premiums)? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. Home mortgage interest? (Form 1098) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7. Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8. Charitable contributions? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9. Child or dependent care expenses such as day-care? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10. For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.? |

Part V. Life Events – In 2012 Did you (or your spouse):

- | Yes | No | Unsure | |
|--------------------------|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in Box 12) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2. Have debt from a mortgage or credit card canceled/forgiven by a commercial lender? (Forms 1099-C, 1099A) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. Buy, sell or have a foreclosure of your home? (Form 1099-A) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 4. Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year? _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. Live in an area that was affected by a natural disaster? If yes, where? _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7. Receive the First Time Homebuyers Credit in 2008? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8. Pay any student loan interest? (Form 1098-E) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9. Make estimated tax payments or apply last year's refund to your 2012 tax? If so how much? _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10. Attend school as a full time student? (Form 1098-T) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11. Adopt a child? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 12. File a 2011 federal tax return containing a "capital loss carryover" on Form 1040 Schedule D? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 13. Become a victim of identity theft? |

Presidential Election Campaign Fund: (If you check a box, your tax or refund will not change.)
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund You Spouse



*Inconsistent Adherence to Quality Requirements
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Tax Returns Prepared at Volunteer Sites*

Additional Information and Questions related to the preparation of your return

Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.

Other than English what language is spoken in the home? _____

Are you or a member of your household considered disabled? Yes No

If you are due a refund or have a balance due:

- Ask your preparer about Direct Deposit. It is the fastest, safest way to receive your tax refund. When you combine e-file and direct deposit, the IRS will likely issue your refund in as few as 10 days.
- Ask your preparer about purchasing Series I U.S. Savings Bonds with part or all of your tax refund. Savings bonds are a safe and secure way to invest in the future. Purchase I Bonds for yourself or others in multiples of \$50 and earn interest for up to 30 years.

If you are due a refund, would you like a direct deposit? Yes No
If you are due a refund, would you like information on how to purchase U.S. Savings Bonds? Yes No
If you are due a refund, would you like information on how to split your refund between accounts? Yes No
If you have a balance due, would you like to make a payment directly from your bank account? Yes No

Additional comments:

Under no circumstances will the Internal Revenue Service tolerate discriminatory treatment of taxpayers by its employees, or individuals who volunteer or work at Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites. No taxpayer shall be subject to discrimination on the basis of sex, race, color, national origin, reprisal, disability or age in educational programs or activities supported by the Department of the Treasury – Internal Revenue Service.

Taxpayers with a disability may require a reasonable accommodation in order to participate or receive the benefits of a program or activity supported by the Department of the Treasury – Internal Revenue Service. Site Coordinators and Managers are responsible for ensuring that requests for reasonable accommodation are granted when the request is made by a qualified individual with a disability.

If a qualified taxpayer believes that he or she has been discriminated against based on sex, race, color, national origin, disability, reprisal or age, they can file a complaint with the Department of the Treasury – Internal Revenue Service. All written complaints should be sent to:

Director, Civil Rights Division
Internal Revenue Service
1111 Constitution Avenue, NW, Rm. 2413
Washington, DC 20224

For all inquiries concerning taxpayer civil rights, contact us at the address referenced above, or e-mail us at eeo.external.civil.rights@irs.gov.

STOP HERE!

Thank you for completing this form.

Paperwork Reduction Act Notice

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1964. Also, if you have any comments regarding the time estimates associated with this study or suggestion on making this process simpler, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224



*Inconsistent Adherence to Quality Requirements
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Tax Returns Prepared at Volunteer Sites*

Section B. For Certified Volunteer Preparer Completion

Remember: You are the link between the taxpayer's information and a correct tax return! Verify the taxpayer's information on pages 1, 2 & 3 is complete. All questions must be discussed with the taxpayer and all "Unsure" responses should be changed to "Yes" or "No".

Must be completed by Certified Volunteer only if persons are listed in Part II Question 2

Check if persons are listed in Part II Question 2

Yes No 1. Can anyone else claim any of the persons listed in Part II, question 2, as a dependent on their return? **If yes, which ones:**

Yes No 2. Were any of the persons listed in Part II, question 2, totally and permanently disabled? **If yes, which ones:**

Yes No 3. Did any of the persons listed in Part II, question 2 provide more than 50% of their own support? **If yes, which ones:**

Yes No 4. Did the taxpayer provide more than half the support for any of the persons listed in Part II, question 2? **If yes, which ones:**

N/A

Yes No 5. Did the taxpayer pay over half the cost of maintaining a home for any of the persons in Part II, question 2? **If yes, which ones:**

N/A

Reminders

Use Publication 4012, *Volunteer Resource Guide* and Publication 17, *Your Federal Income Tax* in making tax law determinations.

Additional Tax Preparer Notes:

Section C. Certified Volunteer Quality Reviewer Section

Review the tax return to ensure the following actions have been taken.

1. The **certification** levels of this tax return and volunteer preparer were verified.
2. All **unsure** boxes were discussed with the taxpayer and correctly marked yes or no.
3. The **information** on pages one and two was correctly addressed and transferred to the return.
4. Taxpayer's **identity** has been verified and **address** and **phone numbers** are correct.
5. Names, **SSNs**, **ITINs**, and **EINs**, were verified and correctly transferred to the return.
6. **Filing status** was verified and correct.
7. **Personal and Dependency Exemptions** are entered correctly on the return.
8. All **Income** (including income with or without source documents) checked "yes" in section A, part III was correctly transferred to the tax return.
9. **Adjustments** to Income are correctly reported.
10. **Standard, Additional or Itemized deductions** are correct.
11. All **credits** are correctly reported.
12. **Withholding** shown on Forms W-2, 1099 and **Estimated Tax Payments** are correctly reported.
13. **Direct Deposit/Debit** and checking/saving account numbers are correct.
14. The correct **SIDN** is shown on the return.
15. The taxpayer(s) was advised that they are **responsible** for the information on their return.



*Inconsistent Adherence to Quality Requirements
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Tax Returns Prepared at Volunteer Sites*

Appendix VII

*Volunteer Standards of Conduct
Agreement – VITA/TCE Programs*

Form 13615 (Rev. 1-2012)	Department of the Treasury – Internal Revenue Service Volunteer Standards of Conduct Agreement – VITA/TCE Programs	Cat. No. 38847H
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The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing **free** tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

Instructions: All VITA/TCE volunteers (whether paid or unpaid workers) must complete the *Volunteer Standards of Conduct Training* and sign *Form 13615, Volunteer Standards of Conduct Agreement* prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, and VITA/TCE tax law instructors must certify in tax law prior to signing this form. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity and signs the form.

Standards of Conduct: As a volunteer in the VITA/TCE Programs, you must:

<ol style="list-style-type: none"> 1) Follow the Quality Site Requirements (QSR). 2) Not accept payment or solicit donations for federal or state tax return preparation. 3) Not solicit business from taxpayers you assist or use the knowledge you gained (their information) about them for any direct or indirect personal benefit for you or any other specific individual. 	<ol style="list-style-type: none"> 4) Not knowingly prepare false returns. 5) Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs. 6) Treat all taxpayers in a professional, courteous, and respectful manner.
---	--

Failure to comply with these standards could result in, but is not limited to, the following:

- Your removal from all VITA/TCE programs and designation on the IRS volunteer registry to bar future work;
- Deactivation of your sponsoring partner's site VITA/TCE EFIN (electronic filing ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site;
- Termination of your sponsoring organization's partnership with the IRS;
- Termination of grant funds from the IRS to your sponsoring partner; and
- Referral of your conduct for potential TIGTA and criminal investigations.

Taxpayer Impact: Taxpayer trust in the IRS and the local sponsoring partner organization is jeopardized when ethical standards are not followed. Fraudulent returns that report incorrect income, credits, or deductions can result in many years of interaction with the IRS as the taxpayer tries to pay the additional tax plus interest and penalties. This can result in an extreme burden for the taxpayer as the taxpayer tries to resolve the errors made on his or her return.

Volunteer Protection: The Volunteer Protection Act generally protects unpaid volunteers from liability for acts or omissions that occur while acting within the scope of their responsibilities at the time of the act or omission. It provides no protection for harm caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer.

For additional information on the volunteer standards of conduct, please refer to *Publication 4299, Privacy, Confidentiality, & the Volunteer Standards of Conduct – A Public Trust*.



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Volunteer:

By signing this form, I declare that I have completed Volunteer Standards of Conduct Training and have read, understood, and will comply with the volunteer standards of conduct.

Print full name	Volunteer position(s)
Home street address: city, state and ZIP code	
E-mail address	Daytime telephone
Sponsoring partner name/site name	Number of years volunteered (including this year)
Volunteer signature	Date

Privacy Act Notice—The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory.

Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers. Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs. Please note: Sponsoring organizations may perform background checks on their volunteers.

(Partner Use Only)

Site Coordinator, Sponsoring Partner, Instructor or IRS:

By signing this form, I declare that I have verified the required certifications and proper identification for this volunteer prior to allowing the volunteer to work at the VITA/TCE site.

Volunteer Certification Levels

	Standards of Conduct (Required for ALL)	Basic	Intermediate	Advanced	Military	Inter-national	COD	HSA	Foreign Students		
									1	2	3
Certification Test											
Add the letter "P" for all passing test scores											

Print approving official's name and title:
(site coordinator, sponsoring partner, instructor, etc.)

Approving official's signature and date:



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Appendix VIII

*General Characteristics of Tax Returns
Prepared by the Volunteer Program¹
During Calendar Year 2013*

Type of Tax Return	Tax Return Volume	Percentage of Total
U.S. Individual Income Tax Return (Form 1040)	2,773,132	95.50%
U.S. Individual Income Tax Return (Form 1040A)	69,290	2.39%
Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ)	51,745	1.78%
U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents (Form 1040NR-EZ)	6,374	0.22%
U.S. Individual Income Tax Return (PC) (Form 1040PC)	2,763	0.10%
U.S. Nonresident Alien Income Tax Return (Form 1040NR)	286	0.01%
U.S. Self-Employment Tax Return – Virgin Islands, Guam, American Samoa (Form 1040-SS)	233	0.01%
U.S. Self-Employment Tax Return – Puerto Rico (Form 1040-PR)	***1***	***1***

Refund Due/ Balance Due	Dollar Totals	Tax Return Volume	Percentage of Tax Return Volume
Refund Due	\$3,930,063,154	2,430,493	83.70%
Balance Due	\$137,042,003	192,772	6.64%
Breakeven	\$0	280,560	9.66%

¹ The IRS Volunteer Program includes the VITA, VITA Grant, and TCE Programs.



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Filing Status/Dependent Claims	Tax Return Volume	Percentage of Total
Single	1,731,355	59.62%
Married Filing Jointly	758,519	26.12%
Head of Household	369,380	12.72%
Married Filing Separately and Spouse Is Required to File	43,072	1.48%
Widow(er) With Dependent Child	1,433	0.05%
Married Filing Separately and Spouse Is Not Required to File	66	<0.01%
Tax Return Prepared With One or More Dependent Exemptions, Including Parents	640,353	22.05%
Tax Return Prepared With No Dependent Exemptions	2,263,472	77.95%

Credits Claimed	Tax Return Volume	Dollar Totals
Earned Income Tax*	698,383	\$1,106,534,596
Child Tax*	225,776	\$224,420,861
Additional Child Tax*	308,676	\$358,946,402
Retirement Savings Contributions*	195,416	\$33,887,567
Education	112,415	\$83,915,454
Child and Dependent Care*	46,910	\$22,829,924
Other (Adoption, Gas, and Health Coverage)	5,378	\$7,801,530

* = This credit was included in our test scenarios.

Income	Tax Return Volume	Dollar Amounts
Average Income ²	2,888,493	\$23,111
Average Other Income ³	132,400	\$2,691

Source: Our analysis of tax returns prepared at the Volunteer Program sites as of April 17, 2013.

² Average Income was determined using computer software to calculate the average total income of all taxpayers.

³ Other Income is a line item on Form 1040 series tax returns that is not reported on any tax schedules.



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Appendix IX

*Treasury Inspector General for Tax Administration
Audit Reports on the Volunteer Tax Return
Preparation Program*

TIGTA, Ref. No. 2004-40-154, *Improvements Are Needed to Ensure Tax Returns Are Prepared Correctly at Internal Revenue Service Volunteer Income Tax Assistance Sites* (Aug. 2004).

TIGTA, Ref. No. 2006-40-004, *Significant Improvements Have Been Made in the Oversight of the Volunteer Income Tax Assistance Program, but Continued Effort Is Needed to Ensure the Accuracy of Services Provided* (Nov. 2005).

TIGTA, Ref. No. 2006-40-125, *Oversight and Accuracy of Tax Returns Continue to Be Problems for the Volunteer Income Tax Assistance Program* (Aug. 2006).

TIGTA, Ref. No. 2007-40-137, *Accuracy of Volunteer Tax Returns Is Improving, but Procedures Are Often Not Followed* (Aug. 2007).

TIGTA, Ref. No. 2008-40-177, *Accuracy of Volunteer Tax Returns Continues to Improve, but Better Controls Are Needed to Ensure Consistent Application of Procedures and Processes* (Sept. 2008).

TIGTA, Ref. No. 2009-40-128, *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Sept. 2009).

TIGTA, Ref. No. 2010-40-109, *Improvements to the Volunteer Program Are Producing Positive Results, but Further Improvements Are Needed to the Quality Assurance Process* (Sept. 2010).

TIGTA, Ref. No. 2011-40-094, *Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program* (Aug. 2011).

TIGTA, Ref. No. 2012-40-088, *Ensuring the Quality Review Process Is Consistently Followed Remains a Problem for the Volunteer Program* (Jul. 2012).



*Inconsistent Adherence to Quality Requirements
Continues to Affect the Accuracy of Some
Tax Returns Prepared at Volunteer Sites*

Appendix X

Management's Response to the Draft Report

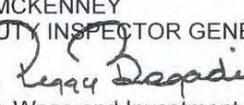


COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

AUG 27 2013

MEMORANDUM FOR MICHAEL E. MCKENNEY
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Peggy Bogadi 
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Inconsistent Adherence to Quality
Requirements Continues to Affect the Accuracy of Some Tax
Returns Prepared at Volunteer Sites (Audit # 201340001)

We appreciate the opportunity to review the subject draft report and its acknowledgement of the important role the Volunteer Program plays in providing Federal tax return preparation services to underserved segments of the population. This service could not be provided without the tremendous support of our volunteers and partner organizations. The program promotes voluntary compliance by providing tax return preparation and electronic filing services at no cost to those individuals most in need. During the 2013 Filing Season, over 91,000 volunteers assisted more than 3.3 million individuals with the preparation and filing of Federal and State income tax returns. By leveraging the relationships we have built and fostered with our more than 4,000 partner organizations, services were provided to low-to moderate-income, elderly, disabled, and limited-English-proficient taxpayers to help them comply with their filing obligations. This level of service would be cost prohibitive without the efforts of our partnering organizations and volunteers.

Recognizing the importance of achieving and maintaining high standards of accuracy within the program, we have continued to take actions and devote resources to improving the accuracy rates of prepared tax returns. A training document was created for the use of volunteers that provided guidance on and emphasized the use of the IRS's intake/interview and quality review processes. Volunteers are required to use Form 13614-C, *Intake/Interview and Quality Review Sheet*, for each taxpayer assisted. The purpose of the form is to ensure complete and accurate information is secured prior to the preparation of tax returns. Partners are required to perform a 100 percent review of each return at volunteer locations to ensure returns are accurately prepared. We also issued Volunteer Tax and Quality Site Requirement alerts throughout the 2013 Filing Season to communicate issues affecting return preparation quality.



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As we discussed during your audit, the IRS uses a statistical sampling method to independently assess levels of service and accuracy rates of returns prepared by volunteers. The results of these reviews are projected to the entire population of tax returns prepared at volunteer program sites. For 2013, the accuracy rate of returns prepared by volunteers was 91 percent. We attribute the 91 percent accuracy rate to volunteers who follow the intake, interview and quality review process completely on a consistent basis. In addition, IRS personnel perform field site visits and anonymous shopping reviews to assist partners in providing quality site operations and to gauge the taxpayer's true experience. We concur with the findings of the Treasury Inspector General for Tax Administration's (TIGTA) anonymous visits; however, we believe the reported accuracy rate is understated. As TIGTA stated in its report, the accuracy rate should not be projected to the entire population of tax returns prepared at the Volunteer Program sites because the results were derived from a judgmental sample. Further, two of the top three errors that significantly affected TIGTA's accuracy rate are typically encountered in only one percent of the returns prepared at volunteer sites.

Attached are our comments to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Verlinda Paul, Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division, at (404) 338-7112.

Attachment



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Attachment

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation

Ensure that all volunteer return preparers, quality reviewers, and site coordinators complete intake/interview and quality review training annually.

CORRECTIVE ACTION

We will require that all volunteer instructors, return preparers, quality reviewers, and site coordinators complete intake/interview and quality review training annually.

IMPLEMENTATION DATE

January 15, 2014

RESPONSIBLE OFFICIAL

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.