



Treasury Inspector General for Tax Administration

OVERSIGHT AND ADMINISTRATION OF THE TAX COUNSELING FOR THE ELDERLY PROGRAM NEED IMPROVEMENT

Issued on April 29, 2008

Highlights

Highlights of Report Number: 2008-40-112 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Over the last 3 years, the Internal Revenue Service (IRS) Volunteer Program has assisted taxpayers with filing more than 6.5 million Federal income tax returns. The Tax Counseling for the Elderly (TCE) Program prepared more than one-half of these returns. However, the Program has not been effectively administered, and current management information and performance measures do not provide adequate oversight for the Program. This limits the IRS' ability to assure that the Program is meeting the intent of the law and primarily serving elderly taxpayers.

WHY TIGTA DID THE AUDIT

The IRS Volunteer Program plays an increasingly important role in achieving the IRS' goal of improving taxpayer service and facilitating participation in the tax system, and the TCE Program is a significant part of this Program. The objective of this review was to determine whether the TCE Program is effectively administered and is in compliance with legal requirements.

WHAT TIGTA FOUND

The TCE Program has not been effectively administered. The IRS does not have effective controls or monitoring processes to ensure that funds are appropriately spent, and management information is not sufficient to provide adequate oversight for the Program.

The selection process needs to ensure that the most-qualified applicants are selected. Few guidelines and procedures exist on how to rate applicants, select grantees, and allocate grant funds. Not all applications were logged in, and no documentation existed to show that all applicants were considered.

Better controls and more monitoring are needed to ensure that grantees are spending funds

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

appropriately. The IRS does not verify the majority of expenses or conduct any analyses to identify whether expenses appear reasonable.

Better management information is needed to help provide effective oversight and ensure that grantees are directing their services to the elderly and operating as intended. No centralized management information system captures and controls grantees' current year activities, including fund withdrawals, expenses reported, and tax preparation assistance.

Additionally, there are insufficient performance measures to evaluate the success of the Program. Currently, the IRS measures only the number of tax returns prepared, the percentage of returns prepared electronically, and the number of taxpayer contacts for its Volunteer Program as a whole and has no measures specific to the TCE Program.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS 1) establish a process and system of controls to ensure that the most-qualified applicants are selected for the TCE Program, 2) ensure that grant funds are expended appropriately and grantees are held accountable, 3) revise the IRS Publication and Form used to report Program costs, 4) develop a management information system to oversee, control, and measure the Program's activities and goals, and 5) establish performance measures to gauge the Program's success in meeting its goals and objectives, including directing services to elderly taxpayers.

IRS management agreed with our recommendations. They have established scoring, ranking, and selection criteria for grantees that include how the grant funds are allocated and used historical performance data in scoring the Fiscal Year (FY) 2008 applicants. During FY 2007, financial reviews of the TCE Program were instituted. In October 2007, the IRS hired three individuals to conduct financial reviews on an ongoing, annual basis. It is using its Statistics of Income Office to select the FY 2009 TCE Grant Program recipients for review.

Also in FY 2007, the IRS developed new processes to consider whether sponsoring organizations were in compliance with Program requirements. It is revising the Publication and Form grantees use to apply and report. Rather than develop a new management information system, the IRS plans to explore use of another of its grant databases to administer the TCE Grant Program. The IRS plans to use its existing measures to gauge the performance of the Program and expand its focus on targeting the elderly population to enhance Program success.

Phone Number: 202-622-6500

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200840112fr.pdf>.

*Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>*

Phone Number: 202-622-6500