

GAO

Briefing Report to the Chairman,
Subcommittee on Oversight,
Committee on Ways and Means,
House of Representatives

April 1993

**TAX
ADMINISTRATION**

**Information on Tax
Counseling for the
Elderly Program**



148961



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

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April 8, 1993

The Honorable J.J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

You asked for information about the Internal Revenue Service's (IRS) grants for the Tax Counseling for the Elderly (TCE) program, a volunteer-operated program that is administered by nonprofit organizations. Specifically, you asked how much the organizations received in fiscal year 1992, how the funds were spent by the five organizations receiving the largest grants, and how accountable these organizations are to IRS for the funds expended. On March 30, 1993, we briefed your office on the results of our work. This briefing report documents the information presented.

BACKGROUND

The Revenue Act of 1978 established the TCE program to provide tax assistance to the elderly. Before passage of the act, the American Association of Retired Persons (AARP) assisted elderly taxpayers through a project known as "Tax-Aide." Originally organized in 1968, Tax-Aide started with 4 volunteers helping 75 elderly taxpayers in Washington, D.C. In 1970, IRS established the Volunteer Income Tax Assistance (VITA) program, which provides income tax assistance through the use of trained volunteers. AARP began working in cooperation with VITA to expand assistance to the elderly. Through VITA, IRS provided training and technical assistance to AARP.

The Revenue Act of 1978 allowed volunteers to be reimbursed for costs associated with assisting taxpayers. In 1980, IRS set up the first cooperative agreement in the TCE program, awarding AARP a grant of all available funds to operate Tax-Aide/TCE sites. Although other sponsors have been added to the program since 1980, AARP continues to manage a nationwide TCE program with 90 percent of the grant funds. In fiscal year 1992, the TCE program reported

that over 30,000 volunteers assisted 1.6 million taxpayers. AARP reported that its volunteers assisted 1.5 million of these taxpayers at an average cost of \$2.00 per taxpayer.

RESULTS IN BRIEF

To be eligible for a TCE grant, an organization must have nonprofit status, volunteer coordination experience, and tax expertise. IRS awards grant funds to all organizations that apply and meet the criteria, although the organizations generally receive less than they request. In 1992, IRS granted \$3 million to 58 organizations. The five largest grantee organizations were (1) AARP (nationwide)--\$2,700,000; (2) Community Service Society/RSVP (New York)--\$43,000; (3) Rural Sullivan County Housing Opportunity (New York)--\$18,064; (4) Ventura County Commission (California)--\$13,054; and (5) Kentucky Community Economic Opportunity (Kentucky)--\$12,000.

Grantee organizations are responsible for recruiting volunteers to provide free tax assistance to the elderly. At least 70 percent of grant funds must be used as reimbursement to volunteers for out-of-pocket expenses incurred in training or providing tax assistance to the elderly. Up to 30 percent of the grant funds may be used for administrative expenses, such as advertising the program to the elderly, telephone costs, and supplies needed by volunteers. Prior to fiscal year 1992, the limit on administrative expenses was 25 percent. IRS records of grantee expenditures indicated that the five largest grantee organizations spent the funds in accordance with these guidelines in fiscal year 1991 (see app. III).

Grantee organizations are primarily accountable to IRS through its reporting requirements. IRS requires grantees to submit monthly or quarterly expense statements. IRS officials review the expense statements but do not audit the records of grantees. However, IRS does require independent audits of grantees who receive more than \$25,000 in federal funds. Our review indicated that the two largest sponsors have detailed accounting and reporting procedures, which include having independent audits. In addition to expenditure oversight, IRS district offices are to visit TCE sites and review the quality of TCE return preparation. IRS Service Centers maintain statistics, including accuracy rates for the tax returns prepared, for the TCE program.

Our review of the TCE program indicated that most TCE funds are widely disbursed in small increments. For example, over 70 percent of grant funds are divided among 30,000 volunteers at 9,000 sites. To account for these funds, TCE has an intricate system of reporting on program activities and fund disbursement. The program structure includes policies, procedures, and controls that, if properly implemented, provide reasonable assurance that

grant funds are used for expenses directly related to providing assistance to the elderly.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to

- determine how the grant funds are awarded under the TCE program,
- review fund expenditure of the organizations receiving the five largest grants, and
- review IRS oversight of the use of grant funds.

To accomplish these objectives, we interviewed IRS National Office program managers responsible for administering and overseeing TCE; obtained and reviewed relevant data from IRS and AARP; interviewed IRS program managers in two district offices and one regional office; interviewed representatives of the two largest grantees--AARP and Community Service Society/RSVP; reviewed the two organizations' accounting and reporting procedures; and reviewed Bureau of the Census data corresponding to AARP assistance sites in Florida.

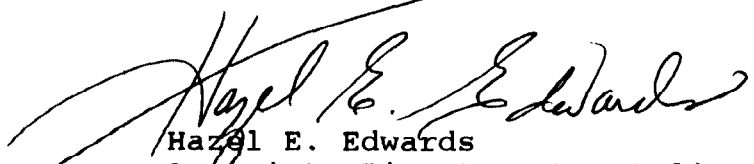
We discussed the facts in this briefing report with IRS officials responsible for administering TCE. The officials agreed with the information presented in the briefing report. We did our work between July and October 1992 in accordance with generally accepted government auditing standards.

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We are sending copies of this briefing report to the Secretary of the Treasury, the Acting Commissioner of Internal Revenue, and other interested parties. We will also make copies available to others upon request.

The major contributors to this briefing report are listed in appendix V. If you have any questions, please contact me on (202) 272-7904.

Sincerely yours,



Hazel E. Edwards
Associate Director, Tax Policy
and Administration Issues

CONTENTS

		<u>Page</u>
LETTER		1
APPENDIXES		
I	OVERVIEW OF TAX COUNSELING FOR THE ELDERLY GRANT PROGRAM	6
II	GRANT AWARD PROCESS	18
III	GRANTEE FUND EXPENDITURE AND PERFORMANCE	22
IV	ADMINISTRATIVE CONTROLS TO ENSURE PROPER USE OF GRANT FUNDS	38
V	MAJOR CONTRIBUTORS TO THIS BRIEFING REPORT	46
TABLES		
III.1	TCE Expenses and Performance Reported to IRS by Top Five FY 1992 Grantees for FY 1991 Operations	24
III.2	TCE Administrative Expenses Reported to IRS by Top Five FY 1992 Grantees for FY 1991 Operations	26
III.3	1991 AARP Administrative Expenses	30
III.4	1991 AARP Other Administrative Expenses	32

ABBREVIATIONS

**IRS
TCE
VITA
AARP**

**Internal Revenue Service
Tax Counseling for the Elderly
Volunteer Income Tax Assistance
American Association for Retired
Persons
Standard Form**

SF

OVERVIEW OF TAX COUNSELING
FOR THE ELDERLY GRANT PROGRAM

Purpose of the TCE Program

- Program provides volunteer-assisted free tax counseling for the elderly
- IRS provides training and technical assistance
- No income limits for service, but IRS emphasizes service to disadvantaged persons

PURPOSE OF THE TCE PROGRAM

Section 163 of the Revenue Act of 1978, (P.L. 95-600, Nov. 6, 1978), authorized IRS to establish a Tax Counseling for the Elderly program, thereby expanding IRS' tax counseling services to meet the particular needs of the elderly population. In authorizing this program, Congress found that elderly taxpayers are often confronted with confusing tax provisions, resulting in overpayment of taxes or reliance upon expensive professional tax services. It also concluded that the needs of the elderly were not being adequately met by other IRS programs, principally the Volunteer Income Tax Assistance (VITA) program.

The act authorized the Secretary of the Treasury, through IRS, to enter into agreements with nonprofit organizations to provide training and technical assistance to volunteers who give tax counseling and assistance to elderly individuals in preparation of their federal tax returns. The act defines "elderly individual" as anyone who has reached the age of 60 by the close of the taxable year.

Under the act, the nonprofit grantee organizations may reimburse their volunteers for transportation, meals, and other expenses incurred in training or providing counseling assistance. The Secretary is authorized to provide volunteers with preferential access to IRS taxpayer service representatives and make available technical information and material needed for their use.

Although the act specifies only that the program assist taxpayers 60 years or older, IRS has added a requirement that program grantees attempt to help disadvantaged elderly people. Currently, to be eligible for a TCE grant under a cooperative agreement with IRS, the nonprofit organization must provide a plan to assist elderly who are "shut-in, blind, disabled, and/or who are members of minority groups." However, IRS has not set any upper limits as to the income the elderly taxpayers may have to obtain the counseling services.

Congress appropriated \$1 million for the TCE program operations in fiscal year 1979. Funding for fiscal years 1990 through 1992 has been constant at \$3 million. Funding for fiscal year 1993 has been increased to \$3.5 million.

AARP is the Primary Agent for TCE

- Before TCE, AARP operated "Tax-Aide" under IRS's VITA program
 - Initially, all TCE funds awarded to AARP Tax-Aide program
 - Currently, 90 percent of TCE funds awarded to AARP
-

AARP IS THE PRIMARY AGENT FOR TCE

Before the passage of the Revenue Act of 1978, AARP assisted elderly taxpayers through a project known as "Tax-Aide." Organized in 1968, Tax-Aide started with 4 volunteers helping 75 elderly taxpayers in Washington, D.C. In 1970, IRS established the Volunteer Income Tax Assistance (VITA) program, which provides income tax assistance through the use of trained volunteers. Tax-Aide began working in cooperation with VITA to expand assistance to the elderly. Through VITA, IRS provided training and technical assistance to AARP. In 1977, Tax-Aide was the only nationwide program operating with IRS to assist elderly taxpayers.

The Revenue Act of 1978 allowed TCE volunteers to be reimbursed for costs associated with assisting elderly taxpayers. In 1980, IRS set up the first cooperative agreement in the TCE program, awarding AARP a grant of all available funds to operate Tax-Aide/TCE sites. This cooperative agreement has been renewed annually. Although other sponsors have been added to the program since 1980, AARP continues to manage a nationwide TCE program with 90 percent of the grant funds. In fiscal year 1992, over 30,000 Tax-Aide volunteers assisted 1.5 million taxpayers.

TCE Is Unique Among IRS' Education Programs

- One of two IRS return preparation programs
 - Volunteers reimbursed for out-of-pocket expenses
 - Volunteers prepare returns for the elderly
 - Grantee management of most TCE operations
-

TCE IS UNIQUE AMONG IRS' EDUCATION PROGRAMS

In fiscal year 1992, there were eight education programs operated by IRS' Taxpayer Service Division. Although four of these programs use volunteer services, only two--TCE and VITA--use volunteer services for tax return preparation. While VITA provides tax counseling for the public at large, TCE focuses its efforts on the elderly population. However, of all these programs, only TCE has grant funds available to reimburse volunteers for out-of-pocket expenses.

In addition, TCE is the only education program for which IRS uses an outside organization--AARP--to manage the bulk of the program operations. Of the 1.6 million taxpayers assisted in fiscal year 1992, 97 percent, or 1.5 million, were assisted by Tax-Aide volunteers. In addition, over 30,000 Tax-Aide volunteers operated at over 9,000 sites nationwide. Although all grantees are required to report, IRS does not have accurate information on the number of non-AARP volunteers and sites. IRS officials are working on a system to compile this information.

TCE Continues to Grow

<u>Fiscal Year</u>	<u>Budget</u>	<u>Volunteers</u>
1980	\$1,000,000	13,087
1991	\$3,000,000	29,434

Note: 1991 data are the latest available from IRS.

TCE CONTINUES TO GROW

As funding for the TCE program has increased, operations have steadily increased. Between 1980 and 1991, the number of volunteers increased from 13,087 to 29,434. In fiscal year 1991, volunteers assisted 1.5 million taxpayers.

We were unable to obtain accurate information on program operations before fiscal year 1988. According to the IRS program manager, IRS did not gather data earlier than fiscal year 1988. Although AARP provided program statistics from fiscal year 1980 to present, the data were not compiled consistently from year to year.

TCE Produced More Returns Than Walk-In Sites Did

During the 1992 filing season,

- 462,304 TCE returns were processed by Service Centers

and

- 112,868 returns were processed at IRS walk-in sites
-

TCE PRODUCED MORE RETURNS THAN WALK-IN SITES DID

As IRS Service Centers process taxpayer returns, they track the number of returns identified as being prepared by other than the taxpayer, i.e., returns prepared with the help of IRS, by TCE, by VITA, and by other "third parties." As of May 30, 1992, roughly 96 million returns had been processed by IRS' Service Centers since January 1992. Approximately .5 percent, or 462,304, of these returns were identified as being prepared by TCE. TCE-identified returns accounted for 80,000 more than those identified as VITA-prepared (384,404) and 4 times as many as those returns prepared with the help of IRS walk-in sites (112,868). Other third-party-prepared returns accounted for the greatest amount of processing, with 44,056,364 returns.

TCE Volunteers Are as Accurate as Other Preparers

1992 returns prepared by

- TCE and walk-in sites had 97-percent mathematical accuracy rate,
 - VITA had a 95-percent accuracy rate, and
 - Other third-parties had a 98-percent accuracy rate.
-

TCE VOLUNTEERS ARE AS ACCURATE AS OTHER PREPARERS

For each category of preparer, the IRS Service Center reports show the mathematical accuracy rates of the returns. TCE mathematical accuracy rates were comparable to or higher than those for other categories of preparers. In 1992, both TCE-prepared returns and IRS walk-in-prepared returns had an accuracy rate of 97 percent. VITA-prepared returns had an accuracy rate of 95 percent while other third-party-prepared returns had an accuracy rate of 98 percent.

GRANT AWARD PROCESS

Grant Award Process

Criteria for TCE award

- Nonprofit organization
- Volunteer coordination experience
- Tax expertise

All eligible applicants receive funding

GRANT AWARD PROCESS

Every year, all organizations that want to participate in the TCE program ("sponsors") must reapply for annual grant awards. In mid-summer, IRS advertises for applicants in the Federal Register. The Taxpayer Service Division of the IRS National Office sends application packages to all interested applicants in early August, and applications must be returned 30 days later. IRS reviews the applications in September, and awards are made by November for the upcoming tax filing season.

To apply for a grant, each applicant must prepare a detailed description of the organization's qualifications, proposed program budget, and program operation plan. Approximately five IRS personnel review each application, using a checklist to determine eligibility. The checklist contains items such as grant amount requested, amount expended in the prior year, projected administrative cost percentage, and estimated number of taxpayers to be assisted. However, the reviewers neither assign a numerical weight to the individual criteria nor rank the applicants for grant awards.

To be eligible for award, an organization must be a nonprofit entity with experience in coordinating volunteers and income tax preparation. In addition, IRS reviewers also consider the reasonableness of the proposed budget, the geographical area expected to be covered, and the applicant's plans for assistance to disabled and minority elderly taxpayers.

According to the IRS program manager, IRS tries to give some funds to all organizations that meet the eligibility criteria. However, the applicants generally receive less than the amount they requested. The program manager also noted that the reviewers give weight to the geographical location of the applicant, thereby attempting to balance the population primarily served by AARP (largely middle class populations in metropolitan areas) with rural, low-income populations served by other organizations.

90 Percent of Grant Funds go to AARP

For FYs 1990-1992

- Funding has remained constant at \$3 million
 - AARP has received \$2.7 million of the total
 - Number of sponsors has grown from 45 to 57
-

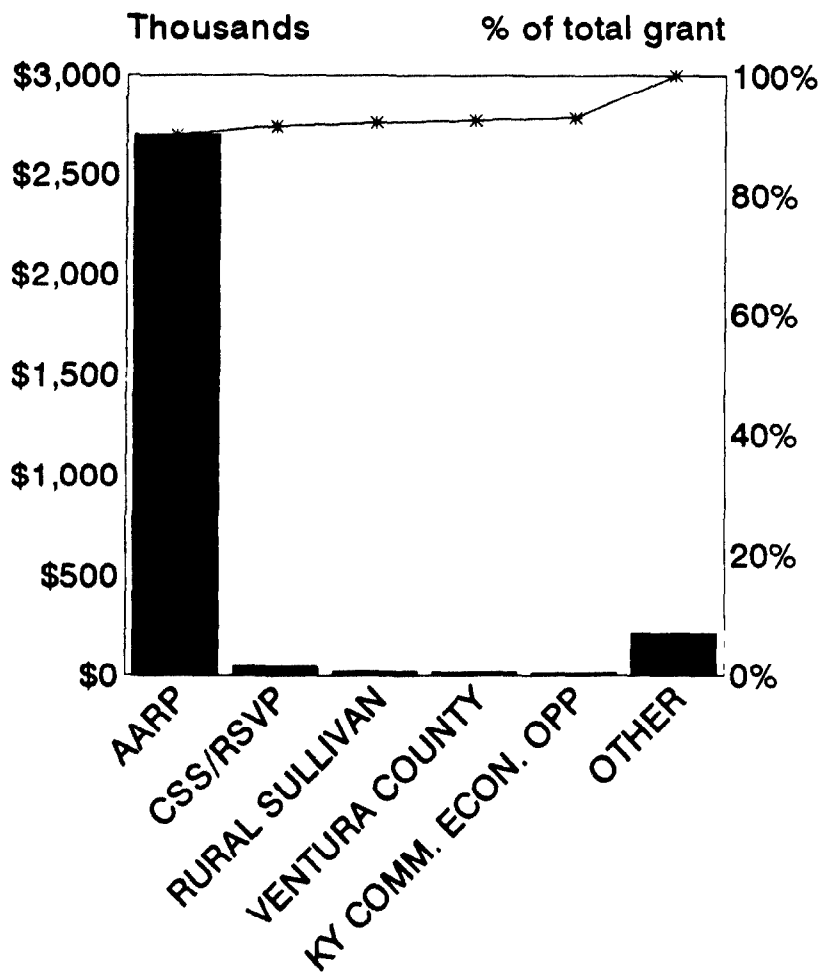
90 PERCENT OF GRANT FUNDS GO TO AARP

In the past 3 years, TCE funding has stayed constant at roughly \$3 million. Each year, AARP has received 90 percent of the funds and the other sponsors the remaining 10 percent. (See fig. III.1.)

Although funding has remained constant, the number of sponsors in the TCE program has grown from 45 in 1990 to 57 in 1992. According to IRS officials, all applicants meeting the eligibility criteria are awarded funds. IRS data showed that in 1990, 47 applicants were accepted into the program; however, 2 organizations withdrew from the program after being approved for grant allocations. In 1991, 54 out of 58 applicants were accepted into the program. Four applicants were denied funding because they did not meet the criteria of the program. In 1992, all applicants (a total of 57) received grant awards.

GRANTEE FUND EXPENDITURE AND PERFORMANCE

Top Five Grantees for Fiscal Year 1992



Source: IRS data.

TOP FIVE GRANTEES FOR FISCAL YEAR 1992

The TCE program sponsors that received the largest grant awards in fiscal year 1992 were

1. AARP (nationwide)--\$2,695,000, or 90 percent of grant funds;
2. Community Service Society/RSVP (New York, NY)--\$43,000, or 1.4 percent of grant funds;
3. Rural Sullivan County Housing Opportunity (Monticello, NY)--\$18,064, or 0.6 percent of grant funds;
4. Ventura County Commission (Oxnard, CA)--\$13,054, or 0.4 percent of grant funds;
5. Kentucky Community Economic Opportunity (Barbourville, KY)--\$12,000, or 0.4 percent of grant funds.

All but the last sponsor had the same order of grants made in 1991. Of the five grantees, only one--Community Service Society/RSVP, which had a \$10,000 increase--had any substantial change in 1992 funding over the preceding fiscal year.

Table III.1: TCE Performance and Expenses Reported to IRS by Top Five 1992 Grantees for Fiscal Year 1991 Operations

	<u>AARP</u>	<u>CSS/ RSVP</u>	<u>Rural Sull</u>	<u>Ventura County</u>	<u>KY Comm</u>
No. of volunteers	29,434	191	18	92	132
Total volunteer expenses	\$2,009,960	\$28,660	\$13,967	\$9,300	\$8,666
Expenses per volunteer ^a	\$68	\$150	\$776	\$101	\$66
Total admin. expenses	\$685,040	\$4,445	\$3,517	\$3,100	\$1,644
Total program cost	\$2,695,000	\$33,480	\$18,064	\$13,053	\$10,890
Percentage of volunteer expenses	75%	86%	77%	71%	80%
Percentage of admin. expenses ^b	25%	13%	19%	24%	15%
No. of taxpayers assisted	1,496,580	11,863	1,187	3,177	1,865
No. of sites	9,343	116	31	13	17
Cost per taxpayer ^c	\$2	\$3	\$15	\$4	\$6

Note: Only fiscal year 1991 data were available for all grantees.

^aExpenses per volunteer is total volunteer expenses divided by number of volunteers.

^bPercentages may not equal 100 because the cost of the Washington orientation is separate and not included in volunteer or administrative expenses.

^cCost per taxpayer is total program cost divided by number of taxpayers assisted.

TCE PERFORMANCE AND EXPENSES REPORTED TO IRS BY TOP FIVE GRANTEES

Table III.1 compiles data each grantee filed with IRS in its final report on fiscal year 1991 operations. IRS requires that each grantee submit a Final Program Report (Standard Form [SF] 8654) at the end of its "program season" (depending on the grantee's activities, the program season may vary but the end of it generally coincides with the income tax filing season--January through April). This report is a cumulative statement of expenses previously reported to IRS in monthly or quarterly expense reports. (See app. IV.)

The table includes the percentages of total funds for administrative costs versus volunteer expenses. Under the TCE program up to fiscal year 1991, no more than 25 percent of the grant funds could be expended for administrative costs. In fiscal year 1992, the limit on administrative costs was changed to 30 percent. (See table III.2 for detailed administrative reporting.)

Volunteer costs that may be reimbursed with grant funds include transportation costs, nominal expenses for meals, and limited out-of-pocket expenses. In practice, sponsors vary as to which volunteer costs they will reimburse--some allow more expenses than others (see "Expenses per volunteer" in table III.1).

The performance information (such as number of sites, volunteers, and taxpayers assisted) in the table was compiled from statistical information obtained from the IRS Taxpayer Service Division's National Office. These statistics are a compilation of weekly reports provided by each grantee to IRS. The weekly reports summarize daily reports, prepared by each TCE volunteer (Volunteer Assistance Worksheets--see app. IV). (Note: "assistance" to taxpayers includes any contact a volunteer identifies as having made with an individual taxpayer.)

Table III.2: TCE Administrative Expenses Reported to IRS
by Top Five 1992 Grantees for FY 1991 Operations

	<u>AARP</u>	<u>CSS/RSVP</u>	<u>Rural Sullivan</u>	<u>Ventura County</u>	<u>KY Comm</u>
Admin. expenses					
Salaries	\$107,292	\$2,000	\$1,350	\$1,281	\$0
Supplies	361,401 ^a	84	270	215	618
Rent	77,700	0	0	180	0
Travel	15,064	356	0	275	646
Auditing	9,780	200	0	200	0
Publicity	32,775	630	1,500	799	143
Telephone	5,968	0	0	0	0
Report processing	6,589	0	397	0	67
Postage	68,489	1,174	0	150	170
Total admin. expenses	685,040	4,445	3,517	3,100	1,644
Washington orientation	0	375	580	653	580
Total volunteer expenses	2,009,960	28,660	13,967	9,300	8,666
Total program cost	\$2,695,000	\$33,480	\$18,064	\$13,053	\$10,890

^aReported by AARP as "Other Administrative." See Table III.4 for a detailed list of AARP expenses in this category.

TCE ADMINISTRATIVE EXPENSES REPORTED TO IRS BY TOP FIVE GRANTEES

Table III.2 is a compilation of administrative expenses reported to IRS on fiscal year 1991 operations. Under the TCE program up to Fiscal Year 1991, no more than 25 percent of grant funds could be expended for administrative costs. (As mentioned earlier, in fiscal year 1992, the limit on administrative costs was increased to 30 percent.) These costs are allowable only if they are expenses that would not have been incurred but for the program. Salary expenses may include wages and benefits of clerical personnel but may not include any salary costs associated with grantee executives or administrators. Supplies are limited to necessary items with a unit cost of less than \$15. Rent costs are allowed where costs are additional and necessary. Costs associated with preparation of the next year's program application are not allowed.

1991 AARP Volunteer Reimbursement Costs

Total no. of volunteers: 29,434
Avg. \$ per volunteer: \$68

- Total counselors: 24,632
- Avg. \$ per: \$46 ^a

- Total instructors: 1,017
- Avg. \$ per: \$369

- Total coordinators: 3,785
- Avg. \$ per: \$255

^aAccording to AARP, approximately 65 percent of their volunteers accept a flat rate of \$32 per tax season for their expenses.

AARP REIMBURSES ONLY MINIMAL EXPENSES FOR MOST OF ITS TCE VOLUNTEERS

The information on the opposite page was derived from internal AARP reports.

Unlike other TCE sponsors, AARP limits reimbursement of its volunteer counselors (assistors at TCE sites) to transportation costs--local transportation, mileage, parking, and tolls. According to AARP's internal guidelines, meals associated with counseling and training programs are allowed only in "exceptional circumstances" with the approval of supervisory volunteers.

Supervisory volunteers--instructors and coordinators--are allowed to claim expenses when on travel for the TCE program. These expenses include lodging and meals. To be reimbursable, however, expense vouchers must be accompanied by expense receipts. In addition, supervisory volunteers are reimbursed for administrative expenses such as postage, telephone, photocopy, and supplies associated with the program. AARP captures these expenses under "Reimbursement to volunteers" (see Table III.4).

Rather than itemizing actual expenses, both counselors and supervisory volunteers have the option of applying for a flat rate per season. The flat rate is \$32 per season for counselors and \$50 per season for supervisory volunteers. Sixty-five percent of the counselors, or approximately 16,000 volunteers, opt for the flat rate of \$32 per season. Approximately 10 percent accept no payment at all.

Table III.3: 1991 AARP Administrative Costs

<u>Item</u>	<u>Total billed</u>	<u>National expense</u>	<u>Field expense</u>
Salaries/Taxes /Benefits	\$107,292	\$107,292	
Rent	77,700	77,700	
Auditing	9,780	9,780	
Staff travel	15,046		\$15,046
Program publicity	32,775		32,775 ^a
Report processing	6,589	6,589	
Telephone sites	5,968		5,968
Postage	68,489		68,489 ^a
Other admin.	361,401 ^b	100,340	261,061 ^a
Total	\$685,040	\$301,701	\$383,339

^aAccording to AARP, these are costs incurred by the AARP National Office in support of volunteer activities in the field.

^bSee table III.4 for a breakout of national and field expenses for this category.

1991 AARP ADMINISTRATIVE COSTS

Table III.3 was derived from internal AARP accounting documents. In 1991, AARP billed IRS for \$685,040, or 25 percent of its grant for administrative costs. (See table III.4 for details of these "Other admin." costs).

The items AARP billed for administrative expenses are described below:

- Salaries, taxes, and benefits for four National Office clerical employees to support Tax-Aide program operations.
- In 1991, rent covering office space occupied by National Office Tax-Aide program staff.
- Auditing includes the Tax-Aide portion of AARP's single audit.
- Staff travel includes Tax-Aide national staff travel to district planning meetings, evaluation meetings, and site visits.
- Program publicity is the development and printing of materials to support volunteer publicity efforts.
- Report processing provides for a contractor to tabulate data from volunteer assistance reports.
- Telephone sites includes installation of telephone lines at 20 telephone counseling sites.
- Postage covers the mailing of Tax-Aide items such as correspondence, rosters, reporting systems, and other materials shipments. It also includes a percentage of the cost of total mail operation.
- "Other administrative" costs accounted for \$361,401. (See table III.4 for more details.)

AARP has broken out the administrative costs on table III.3 by national and field expenses. According to AARP, "Program Publicity" and "Postage" are costs incurred by the AARP National Office in support of volunteers in the field. (See ^a items on table III.3).

Table III.4: 1991 AARP Other Administrative Costs

<u>Item</u>	<u>Total billed</u>	<u>National expense</u>	<u>Field expense</u>
Reimbursement to volunteers	\$120,540		\$120,540
Contract labor	12,978	\$12,978 ^b	
Contract printing	80,927		80,927 ^a
Data processing (survey)	950	950	
In-house reprographics	6,941		6,941 ^a
Telephone	19,424	19,424	
In-house data center	50,692	50,692 ^b	
In-house fulfillment	49,905		49,905 ^a
Unallocated overhead	16,296	16,296	
Other program support	2,748		2,748 ^a
Subtotals		\$100,340	\$261,061
Total	\$361,401		

^aAccording to AARP, these are costs incurred by the AARP National Office for production, warehousing, and packing and shipping program materials used by volunteers in the field.

^bAccording to AARP, these are costs incurred by the AARP National Office for record keeping required by the grant.

1991 AARP OTHER ADMINISTRATIVE COSTS

Table III.4 was derived from internal AARP accounting documents. AARP reported that it spent \$361,401 of administrative grant funds on a category it defines as "Other Administrative."

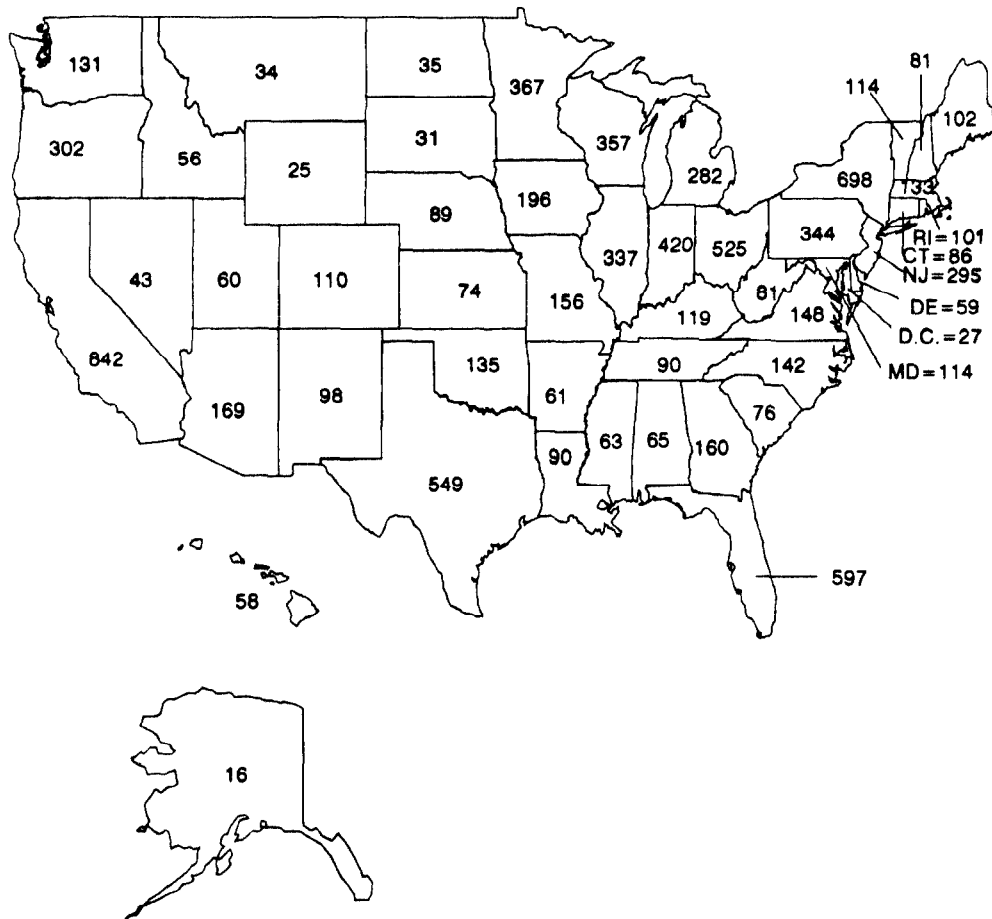
The items AARP billed for "Other Administrative" are described below:

- Reimbursement to volunteers includes postage, telephone, photocopy, and supply costs related to Tax-Aide activities. The bulk of these expenses are generated by local and mid-level coordinators.
- Contract labor includes temporary clerical assistance during peak periods to process volunteer activity reports, to review volunteer rosters, and to provide preliminary accounting verification.
- Contract printing includes materials other than Program Publicity such as handbooks, training manuals, envelopes, volunteer assistance forms, training handouts, volunteer appreciation cards and award certificates.
- Data processing paid for a survey of Tax-Aide users in 1991 only. The data were used to develop a user profile which will provide a management tool for the volunteers in selected districts.
- Reprographics includes in-house reproduction of meeting materials, posters, and miscellaneous mailings to the volunteer leadership.
- Telephone covers telephone charges for operating services for Tax-Aide staff, including long-distance calls to the field.
- Data Center includes the maintenance of accurate records of the large numbers of volunteers. It covers the cost of generating address labels, letters, rosters, statistical data, and spreadsheets used for program analysis. It also includes a portion of the cost of renting computer terminals and printers and the data processing time for the four clerical staff.
- Fulfillment includes the cost of maintaining inventory, assembling, packing, and shipping Tax-Aide program materials.
- Unallocated overhead covers a percentage of AARP's common costs such as information assistance, general insurance, office supply operations, and administration of pension and benefits for the four clerical employees.
- Program support includes the cost of the coordinator handbook binders and publicity manual binders sent to 4,000 volunteer leaders.

AARP has broken out administrative costs on table III.4 by national and field expenses. According to AARP, contract printing, reprographics, fulfillment, and other program support are costs incurred by the AARP National Office in support of volunteers in the field. (See ^a items on table III.4)

LOCATION OF TAX-AIDE SITES

1992 Projected AARP Tax-Aide Sites



Source: AARP data.

LOCATION OF TAX-AIDE SITES

On the basis of 1991 operations, AARP projected that volunteers would operate a total of 9,343 Tax-Aide sites in fiscal year 1992. AARP reported that its volunteers actually operated 9,464 sites in fiscal year 1992. Tax-Aide sites are located in all 50 states and the District of Columbia. The five states with the largest number of sites are California, New York, Florida, Texas, and Ohio. A review of Census data indicated that sizable elderly populations live in these states. In 1989, 12.5 percent of the total U.S. population was 65 years of age and older. For the same year, California had an elderly population of 11 percent; New York, 13 percent; Florida, 18 percent; Texas, 10 percent; and Ohio, 13 percent.

Income Level of Population Served Not Readily Available

- IRS does not track income level of elderly taxpayers assisted
 - However, assistance is limited to basic 1040 series tax forms
 - 88 percent of AARP sites in Florida are located where median income is below \$25,000
-

INCOME LEVEL OF POPULATION SERVED BY TCE IS NOT READILY AVAILABLE

The data maintained by IRS on the population of taxpayers assisted at its TCE sites is limited to what can be compiled from the Volunteer Assistance Worksheets prepared daily by each volunteer. This worksheet describes only the number of taxpayers seen by a volunteer and the type of assistance given. It does not indicate age, race, income, or disability of the taxpayer.

IRS, however, limits the types of returns and schedules with which volunteers can assist taxpayers. These forms are limited to SFs 1040, 1040 A, and 1040 EZ, and schedules A, B, C, D, E, F, SE, and EIC. Other types of forms cannot be ordered from the IRS by the TCE sites. If taxpayers seek advice on other types of schedules or forms, volunteers are to suggest they visit a professional tax preparer.

A review of 1990 Census data corresponding to 206 Florida cities and towns where 554 AARP Tax-Aide sites are located indicated that AARP has attempted to spread its services to a moderate-to low-income elderly population. Of the 206 cities and towns, 88 percent had a nonfamily median household income of less than \$25,000. The national median income for households was \$27,225 in 1989. The national median income for individuals age 65 years and over was \$15,771 in 1989. The state of Florida had a median income of \$27,483 for households and \$16,897 for individuals in 1989. Thus, most AARP sites are located in areas that are the same as or below state and national income levels.

ADMINISTRATIVE CONTROLS TO ENSURE PROPER USE
GRANT FUNDS

IRS Requires
Extensive Reporting

Monthly/Quarterly Expense
reports

- Reimbursement expenses
- Administrative expenses
- Some performance statistics

Weekly volunteer performance
reports

- Number of taxpayer assists
 - Number of federal returns
 - Number of state/local returns
 - Other assistance
-

IRS REQUIRES EXTENSIVE REPORTING

Once a cooperative agreement is signed, IRS generally provides the grantee one-half of the total fund amount in advance. Until it has expended the amount of the advance, the grantee must report to the National Office Taxpayer Service Division the total amount of outlays during the required reporting period (monthly for AARP, quarterly or monthly at the option of the other sponsors). After the advance is used, grantees apply for reimbursement for program expenses. Grantees account for both advance expenditures and reimbursement requests SF 270, "Request for Advance or Reimbursement."

In addition to the SF 270, each grantee must submit to the same IRS National Office a report (for the same period as that in the SF 270) that itemizes types of expenditures, SF 8654, "Monthly/Quarterly/Final Program Report." These expenditures are divided into those for volunteer reimbursement and those for administrative costs. (In order to claim individual reimbursement, volunteers submit expense vouchers provided by the sponsor.) At the end of the grantee's program season, the grantee uses the same form to report the total expenses under the grant. With this submission, the grantee must compare its actual expenses with those it included in its proposed budget (SF 8653) in its application for the grant.

To indicate site activities, each grantee provides a weekly summary of the number of taxpayers assisted and the type of assistance given. The weekly summary, on SF 6522, "Volunteer Assistance Worksheet," is a compilation, by site, of the daily forms (also SF 6522) filled out by each volunteer assistor. Except for AARP, all grantees send their weekly reports to the district office responsible for the management of the site. AARP sites send all their data to AARP National Headquarters in Washington, D.C., where AARP directly enters the data into IRS' Detroit Computing Center.

IRS Oversight

- National Office reviews expense forms but does not audit
 - District office performs site visits
 - District office reviews accuracy of returns
 - Service Center maintains statistics on TCE returns
-

IRS OVERSIGHT

As noted in the previous section, grantee expenditure reports--SF 270 and SF 8654--are both sent to the IRS National Office Taxpayer Service Division. Within this Division, the program office keeps a log of each grantee's expenses and maintains copies of the expense reports. Copies of the SF 270 are also sent to the National Office accounting office for payment to the grantee. Although the National Office maintains these expense reports, it does not review the grantees' supporting records. The program office does, however, require independent audits of grantees who receive more than \$25,000 in federal award funds.

During the filing season, IRS district office personnel are to conduct sporadic checks of volunteer sites. However, these site visits can be irregular, at best (in the Philadelphia District Office, personnel visited 11 of 17 TCE sites in the District in 1992). The site visits are to cover factors such as adequacy of site selection, publicity, site coordination, tax forms and supplies, quality review, and reporting. The visits include only a review of site activities not of grantee financial records.

If no remittance is due, individuals assisted through the volunteer program are given coded program envelopes to mail in their federal tax returns. These envelopes are addressed to the IRS district coordinator for review. At the beginning of the tax season, the district coordinators review all tax returns prepared by volunteers for accuracy. As the volume of returns increases during the season, the districts review a sample of the returns. The district coordinator informs the grantee organizations of any errors found. These reviews do not attribute errors to individual volunteers, only to volunteer sites. The district offices do not correct the errors--the returns are sent directly to the Service Center, where they are corrected and processed.

The Service Centers track the total number of returns processed by each category of preparer, the number of errors found, and the accuracy rates. As noted in appendix I, TCE mathematical accuracy rates were comparable to or higher than other categories of preparers.

AARP Oversight

- AARP supervisors must approve all requests for reimbursement
 - All itemized requests for reimbursement must be accompanied by receipts
 - Accounting system maintains records by each site
 - Weekly activity reports
-

AARP OVERSIGHT

To receive reimbursement, volunteers must submit an AARP Standard Activity Expense Statement. Volunteers may request a flat rate for the season or itemize costs and provide receipts with the statement. To ensure that volunteers are reimbursed for direct reasonable expenses incurred as part of their service, AARP requires that the expense statements be signed by the volunteer's supervising coordinator. Altogether, there are four copies of the expense statements--one kept at the site, one sent to the district coordinator, and two sent to AARP headquarters. The expense statements for the individual counselors are sent to Washington by the site coordinator. The regional coordinator approves and sends them to AARP National Headquarters for coordinators and instructors. AARP National Headquarters maintains reimbursement data by site, district, area, and national.

AARP requires that all volunteers keep tallies of tax assistance on the Tax-Aide Counselor Assistance Report. This report is similar to IRS SF 6522; however, the AARP report also captures the number of taxpayers age 60 and older and the number of shut-ins assisted. AARP sites summarize the individual reports weekly and send them to AARP National Headquarters where they are directly input to the Detroit Computing Center.

Conclusions

- Wide disbursement of funds coupled with intricate reporting requirements provide reasonable assurance that TCE, if properly implemented, has adequate safeguards over fund usage.
-

CONCLUSIONS

Our review of the TCE program indicated that most TCE funds are widely disbursed in small increments. For example, over 70 percent of grant funds are divided among 30,000 volunteers at 9,000 sites. To account for these funds, TCE has an intricate system of reporting on program activities and fund disbursement. The program structure includes policies, procedures, and controls, which, if properly implemented, provide reasonable assurance that grant funds are used for expenses directly related to providing assistance to the elderly.

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