Virtual Quality Oversight Review Results for SPEC Partners & Employees

Introduction

Stakeholder Partnerships, Education and Communication (SPEC) provides oversight of the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) program. The VITA/TCE program offers free tax return preparation assistance for low- to moderate-income taxpayers, seniors, persons with disabilities, those with limited English proficiency and Native Americans. SPEC's partners have been assisting taxpayers in underserved communities for over 50 years under the VITA/TCE program.

During the 2021 filing season, SPEC partners continued to positively affect the lives of millions of taxpayers who had their tax returns prepared at nearly 9,000 VITA/TCE sites by almost 53,000 volunteers. As of July 31, 2021, over 1.9 million tax returns were prepared and filed by VITA/TCE sites. However, this only represents a portion of the additional millions of individuals that benefited from correctly-completed returns. VITA/TCE volunteers helped taxpayers claim many valuable tax credits. Sites also helped get the word out about the Economic Impact Payments (EIP) and additional tax law changes.

Filing Season 2021 was a uniquely challenging season. This was the first full filing season operating under the pandemic, and sites across the country had to pivot and find unique solutions for providing free tax preparation services while ensuring taxpayers and volunteers were safe. Site volunteers worked tirelessly during the summer and fall to develop new ways to operate sites. Volunteers across the nation thought outside the box using technology and developed unique ways to assist taxpayers in-person and virtually while ensuring taxpayers and volunteers were safe while receiving free tax preparation assistance.

During another extraordinarily challenging year, partners steadfastly remained focused on tax return quality and security of taxpayer information. During the 2021 filing season, the IRS conducted a non-statistical quality review of the SPEC program and found that 96% of returns included in the review were accurately prepared by volunteers. This is a remarkable accomplishment despite such a challenging tax season.

Virtual Quality Oversight Reviews– Return Preparation Accuracy

In prior years, the Quality Statistical Sample (QSS) Review consisted of SPEC quality reviewers conducting in-person visits to a random sample of VITA/TCE sites across the country. During each site visit, reviewers observed site operations and randomly selected and evaluated the accuracy of three tax returns. Results from the evaluated returns were compiled to generate statistically reliable projections of the accuracy of returns in the overall population of eligible returns.

Due to COVID-related travel restrictions, SPEC reviewers were unable to conduct in-person site visits during the 2021 filing season. Instead, SPEC developed and utilized a new virtual process to conduct site and return reviews in 2021. Virtual quality oversight reviews included a virtual site review and a quality sample of two tax returns. The review measured adherence to the Quality Site Requirements
and accuracy of volunteer-prepared tax returns at sites by comparing Form 13614-C, Intake/Interview & Quality Review Sheet, (a customer prepared questionnaire) to the filing status, dependents, income and credits on the return.

Since quality oversight reviews were conducted virtually, SPEC faced challenges finding compatible technology to communicate sensitive information between SPEC and VITA/TCE sites. SPEC needed to plan coordination between local territory offices, site coordinators, and SPEC reviewers to successfully conduct virtual quality oversight reviews. SPEC was unable to conduct reviews without advance notice. SPEC relied on site coordinators to identify the returns included in the 2021 virtual quality oversight review instead of SPEC randomly selecting them. Without control over the selection process, SPEC is unable to verify the randomness of the returns that were reviewed.

SPEC plans the filing season quality oversight review process in the fall, when most sites are unable to accurately project whether they will operate in the upcoming filing season. During the 2021 filing season, this was more difficult for sites due to COVID-related restrictions and operational challenges. Therefore, prior-year site lists were used to determine the sample population.

Over 11,000 SPEC sites operated during the 2020 filing season. However, only a small number of sites were eligible for the 2021 virtual quality oversight review. Only virtual sites that used software compatible with SPEC’s technology were eligible to participate in the review. Due to resource considerations, the following virtual sites were excluded from the review in 2021:

- Sites that prepared fewer than 50 returns in 2020.
- Note: Due to COVID-related site closures in early 2020, many sites that would normally prepare over 50 returns were unable to do so. Therefore, more sites than usual were ineligible for the review in 2021.
- Sites open for the first time in 2021.
- Sites located in Hawaii, Puerto Rico, Alaska or overseas Military (APO/FPO addresses).
- Sites open for only one day.
- Facilitated Self Assistance (FSA) sites.
- Sites only preparing 1040NR returns.
- Mobile-only sites.
- Sites visited by QSS within the prior two filing seasons.

In total, only 1,463 sites (733 VITA and 730 TCE) were eligible for the QSS Review in 2021. The results from the review do not reflect the accuracy of returns prepared in the approximately 9,500 sites that were not eligible for the review in 2021.

### Eligible VITA/TCE Sites

<table>
<thead>
<tr>
<th>Data Breakdown</th>
<th>VITA</th>
<th>TCE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites Operating in FS 2020</td>
<td>4,976</td>
<td>6,038</td>
<td>11,014</td>
</tr>
<tr>
<td>Eligible Sites for FS 2021*</td>
<td>3,356</td>
<td>4,211</td>
<td>7,567</td>
</tr>
<tr>
<td>Eligible Virtual Sites for FS 2021**</td>
<td>733</td>
<td>730</td>
<td>1,463</td>
</tr>
<tr>
<td>Planned Site Reviews</td>
<td>40</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Site Reviews Completed</td>
<td>37</td>
<td>30</td>
<td>67</td>
</tr>
</tbody>
</table>

*Eligible Sites for Filing Season 2021 (7,567 sites) includes all sites that operated in filing season 2020 less sites excluded as stated above under SPEC resources considerations. This list was used to create the 2021 filing season sample.

**The above referenced list of eligible sites was further reduced to only include sites operating virtually and using technology compatible with SPECs technology resources.
2021 VITA/TCE Virtual Quality Oversight Site Review Selection Process and Sample Size

To promote an unbiased appearance, SPEC requested that an IRS internal third party, the Statistics of Income Division (SOI), conduct the site selections for the 2021 virtual quality oversight review. Specifically, SOI randomly selected 100 sites (50 VITA and 50 TCE) from the listing of 1,463 eligible sites described in the last section. The original samples of 50 VITA and 50 TCE sites were evenly allocated across the 3 SPEC areas. However, due to significant challenges faced by SPEC and all VITA/TCE sites, SPEC later reduced this plan to 80 sites (40 VITA and 40 TCE) which were evenly allocated across areas.

VITA - Site Selection Counts by Area

<table>
<thead>
<tr>
<th>Area</th>
<th>Eligible Site Count</th>
<th>Eligible Site Count Percent</th>
<th>Site Selections (Initial)</th>
<th>Site Selections (Final)</th>
<th>Site Reviews Completed</th>
<th>Sites with (1) Return Review</th>
<th>Sites with (2) Return Reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>358</td>
<td>49%</td>
<td>17</td>
<td>13</td>
<td>13</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>207</td>
<td>28%</td>
<td>17</td>
<td>15</td>
<td>15</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>168</td>
<td>23%</td>
<td>16</td>
<td>9</td>
<td>12</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>733</td>
<td>100%</td>
<td>50</td>
<td>40</td>
<td>37</td>
<td>2</td>
<td>12*</td>
</tr>
</tbody>
</table>

* SPEC reviewers completed 2 tax return reviews at 12 VITA sites for a total of 24 VITA tax return reviews.

TCE – Site Selection Counts by Area

<table>
<thead>
<tr>
<th>Area</th>
<th>Eligible Site Count</th>
<th>Eligible Site Count Percent</th>
<th>Site Selections (Initial)</th>
<th>Site Selections (Final)</th>
<th>Site Reviews Completed</th>
<th>Sites with (1) Return Review</th>
<th>Sites with (2) Return Reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>208</td>
<td>28%</td>
<td>16</td>
<td>13</td>
<td>10</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>251</td>
<td>34%</td>
<td>17</td>
<td>14</td>
<td>11</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>271</td>
<td>37%</td>
<td>17</td>
<td>14</td>
<td>9</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>730</td>
<td>100%</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>1</td>
<td>14*</td>
</tr>
</tbody>
</table>

* SPEC reviewers completed 2 tax return reviews at 14 TCE sites for a total of 28 TCE return reviews.

Return Review Findings

SPEC planned to review 80 sites and sample two tax returns for accuracy at each site for a total of 160 return reviews.

Reviewers often face situations that impact their ability to review the planned number of tax returns at each site. Situations include site closures due to illness, weather, tax preparation software outages, local emergencies, a lack of completed tax returns ready for review (customer refuses review or needs to return with missing documents), etc.

Of the 80 virtual sites and 160 tax returns included in the final sample plan, SPEC successfully reviewed a total of 55 tax returns. The 55 reviewed returns consisted of 3 sites where 1 sampled tax return was reviewed (2-VITA and 1-TCE) and 26 sites where 2 sampled tax returns were reviewed (12-VITA and 14-TCE). Of the 55 returns reviewed, 53 returns were accurate, 2 returns were inaccurate, and 1 return was inconclusive¹. These results suggest tax return quality at the sites remained a paramount focus despite operational challenges.

¹ In the 2021 filing season, SPEC deemed a tax return as “inconclusive” any time the reviewer did not have access to the taxpayer, tax preparer or quality reviewer to clarify information for items shown on the return. In these cases, it was necessary to conclude that the review of the tax return was neither correct nor incorrect. An inconclusive return only indicates that information needed was not available to the reviewer during the return review process. An inconclusive return does not automatically indicate that there was a problem with site’s operation process. Only 1 tax return review was deemed inconclusive during the 2021 filing season because page two of Form 13614-C, Intake/Interview & Quality Review Sheet was missing. This page contains the income and expense information to be compared to the tax return to verify accuracy of the return. The coordinator was unable to rescan this page due to technology challenges.
Virtual Quality Oversight Review Results for SPEC Partners & Employees

### FY 2021 SPEC Quality Virtual Oversight Return Review - Sample Size

<table>
<thead>
<tr>
<th>Total Return Reviews Planned</th>
<th>Number of Returns Reviewed</th>
<th>Accurate Returns</th>
<th>Inaccurate Returns</th>
<th>Inconclusive Findings</th>
<th>Raw Accuracy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>55*</td>
<td>53</td>
<td>2</td>
<td>1</td>
<td>96.36%</td>
</tr>
</tbody>
</table>

*1 inconclusive return was not included in the 55 overall tax returns reviewed because the accuracy of the return was not conclusive (neither correct nor incorrect).

#### Incorrect Return Details

- One tax return had an error in the name and name and address section.
- One tax return had a Schedule C error that created a domino effect of errors on the tax return.

#### FY 2021 Returns in the Sample Not Reviewed

During the 2021 filing season, SPEC reviewers faced considerable challenges obtaining two tax returns to review at each selected site in the sample. This can happen in any year due to staffing issues, weather closures, tax preparation software outages, local emergencies, etc. Due to the many challenges faced by VITA/TCE sites in 2021, SPEC was unable to conduct 105 of the 160 sample return reviews.

Of the 105 returns not reviewed: 28 returns could not be reviewed due to 14 site closures, 66 returns could not be reviewed due to various technology issues at the sites, 4 returns could not be reviewed because two sites changed to in-person sites, 4 returns could not be reviewed because 2 sites did not have enough volume of tax returns on the day of the review, and 3 returns could not be reviewed due to limited returns ready for review.

#### Number of Returns Not Reviewed

The table below represents the total number of returns that were not able to be reviewed and the reasons.

<table>
<thead>
<tr>
<th>Total Returns Not Reviewed</th>
<th>Closed Sites</th>
<th>Technology Issues</th>
<th>In-person Sites</th>
<th>Slow at Time of Review</th>
<th>Sites with Only (1) Return Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>105</td>
<td>14</td>
<td>33</td>
<td>2</td>
<td>2</td>
<td>3*</td>
</tr>
</tbody>
</table>

Total number of returns missed

- 28
- 66
- 4
- 4
- 3*

*1 of these sites had the inconclusive return referenced above.

#### Site Reviews (Adherence to QSR)

SPEC’s reviews of our ten quality site requirements (QSR) resulted in a 98.81% site adherence rate with 67 site reviews completed. The top identified QSR errors are listed below.

- QSR #2 Intake/Interview & Quality Review Process
- QSR #5 Volunteer Agreements
- QSR #1 Volunteer Certifications
- QSR #6 Timely Filing of Tax Returns

Note: The 2021 filing season virtual quality oversight review was based on data collected from a non-representative sample and results are not statistically reliable. The 55 tax returns selected and evaluated for the review do not represent the quality among all returns prepared at any site, area or national level. The sample results only represent the tax returns actually reviewed and cannot be projected to returns outside of the sample. Sample results will not provide statistically reliable estimates within a certain level of confidence or precision and should be seen as qualitative in nature. However, the data may still provide meaningful insights into apparent successes and potential areas for improvement concerning return preparation services provided by SPEC sites during the 2021 filing season.