

FY 2015 Stakeholder Partnerships, Education and Communication (SPEC)
Quality Statistical Sample (QSS) Review Results
June 30, 2015

Introduction:

IRS-SPEC is responsible for providing oversight of all Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) return preparation sites. In FY2015, more than 90,000 volunteers at over 12,000 sites assisted over 3.7 million taxpayers nationwide. SPEC's Quality Program Office (QPO) performs Quality Statistical Sample (QSS) reviews, including reviews of randomly selected tax returns for accuracy and a thorough review of the site's processes and operations for adherence to Quality Site Requirements (QSR). To ensure the measure is statistically valid, the Statistics of Income Office (SOI) determines what sites will be reviewed. Although SPEC conducts other types of oversight reviews at VITA/TCE sites, QSS return reviews provide the only statistically valid method for determining the accuracy of returns prepared at VITA/TCE sites. QSS reviews are a critical component of SPEC's commitment to providing oversight and quality tax preparation to underserved taxpayers nationwide.

QSS Return Review Results:

During Filing Season 2015, the QPO performed 103 of the 110 planned site reviews and completed 298 of the planned 330 return reviews. Although the QSS return review results indicate a 96% accuracy rate, SOI Office validated the VITA/TCE accuracy rate at 94.12%. The 94.12% accuracy rate is applied to the returns prepared in the volunteer program and includes a 3.03% precision margin and a 90% level of confidence. This is the only statistically valid measure which can be applied to the entire VITA/TCE return population to determine our return accuracy.

QSS site and return reviews are selected by SOI using a prior year sample of sites based on established criteria. Our QSS un-weighted accuracy rate of 95.64% decreased by almost 1.5% because the SOI sample pulled in 2014 significantly changed. The returns filed in the 2014 SOI sample showed a higher number of TCE returns filed than VITA returns filed. However, in 2015 VITA prepared more tax returns than TCE in the same sites by approximately 500,000 returns. Based on this, our accuracy measure is heavily weighted on the accuracy rate for the program that filed the most tax returns. Since the VITA accuracy rate was lower than TCE, our overall accuracy rate was reduced from 95.6% to 94.12%.

Despite the challenges with the new ACA tax law provisions, the FY2015 accuracy rate, once again, exceeded the goal of 88%. QPO attributes the continued increase in return accuracy to several factors including consistent site operations and processes based on the QSR, program familiarity, and an experienced volunteer base. Figure 1 provides a quick overview of the review results.

QSS Return Reviews	FY15
Total Planned	330
Total Completed	298
Total Correct Returns	285
Total Incorrect Returns	13
Overall Return Accuracy	94.12%

Figure 1

Volunteers are doing an excellent job when preparing tax returns. However; we continue to strive for 100% accuracy. The most common tax law errors identified and the related accuracy rates were:

1. Investment Income – 98.66%: Four tax returns had errors in Investment Income.
2. Other Income – 98.99%: Three tax returns had errors in Pensions/Annuities.
3. Shared Responsibility Payment – 99.33%: Two tax returns had errors when computing the shared responsibility payment.

QSS Site Review Results:

As previously mentioned, QPO performed 103 of the 110 planned QSS site reviews. QSS site reviews measure the site's adherence to the QSR and Volunteer Standards of Conduct. Overall adherence is rated at 92.62%. Figure 2a provides a quick overview of the review results.

QSS Site Reviews	FY15
Total Planned	110
Total Conducted	103
Total QSR Met	954
Total QSR Not Met	76
Overall Adherence to QSR	92.62%*

Figure 2a

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The ten QSR are in place to promote consistent operations at all VITA/TCE sites. When correctly used, the QSR promote return accuracy. Most volunteers have an excellent understanding in tax law; however, volunteers are challenged with adhering to the QSR. In most cases, site coordinators could benefit from additional support from their SPEC relationship managers during their training. As SPEC continues to enhance site operations, the need to ensure changes are communicated to all site coordinators will become even more critical.

Adherence to Quality Site Requirements			
Quality Site Requirements	FY14	FY15	Percent Change
QSR #1 Certification	98%	98%	0%
QSR #2 Intake & Interview Process	79%	68%	-11%
QSR #3 Quality Review Process	84%	85%	+1%
QSR #4 Reference Materials	100%	99%	-1%
QSR #5 Volunteer Agreement	96%	94%	-2%
QSR #6 Timely Filing	90%	97%	+7%
QSR #7 Civil Rights	93%	93%	0%
QSR #8 Site Identification Number (SIDN)	96%	98%	+2%
QSR #9 Electronic Filing Identification Number (EFIN)	99%	99%	0%
QSR #10 Security, Privacy, and Confidentiality	89%	94%	+5%

Figure 2b

Based on this, QPO is recommending more pre-filing assistance to ensure consistent key messages are shared with partners, coordinators, and volunteers early.

Figure 2b provides a quick overview of QSR adherence based on the results of QSS site reviews.

This is the second year we are using the new methodology for rating site reviews. The rating method, which was revised to more accurately reflect site operations, consists of a 10% rating for each correctly followed QSR. This rating method accurately reflects how a site performed on all requirements. QSS site reviews measuring the QSR adherence rate was 92.62%. Site adherence to most of the QSR appears consistent from FY2014 to FY2015. However, SPEC saw a 7% increase in adherence to QSR 6, Timely Filing, and at a 5% increase to QSR 10, Security, Privacy, and Confidentiality.

The most common site review errors include:

- Intake and Interview Process – 68%:** For FY2015, QSS site reviews revealed a correct intake process was used 68% of the time. The reviews also showed that volunteers who prepared tax returns using a complete intake and interview process achieved a 96% accuracy rate compared to 92% accuracy when the process was incomplete or non-existent.

QSS reviews indicate Form 13614-C, *Intake/Interview and Quality Review Sheet*, is generally available at the site and taxpayers are completing their sections on Form 13614-C. However, volunteer preparers are not conducting a thorough interview with the taxpayer, which includes a discussion of the information the taxpayer included on their completed intake sheet. In addition, all volunteers are not completing all of the fields on Form 13614-C. Figure 3a provides a quick overview of the review results.

FY15 Intake and Interview (Form 6729R)	Total Used	Correct Returns	Return Accuracy
Correct Intake/Interview Process	249	240	96%
Incorrect Intake/Interview Process	49	45	92%
Total	298	285	94.12%

Figure 3a

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Correct Intake and Interview Process: The site must have a process to determine if a tax return is within scope for the VITA/TCE Programs and that the volunteer who prepares that return must be certified at the appropriate level. Once the tax return is assigned to the IRS-certified tax preparer, the preparer is responsible for following these steps **before preparing the return in the software:**

- Verifying the taxpayer’s (and if applicable, the spouse’s) identity using photo ID.
 - Verifying social security numbers or ITIN’s for everyone qualified to be listed on the tax return.
 - Reviewing and discussing Form 13614-C, *Intake/Interview & Quality Review Sheet*, with the taxpayer and making corrections and/or adding notes, if necessary. (Making necessary corrections also helps during the quality review)
 - Using probing questions and/or reference materials, when necessary, to ensure information is complete and accurate.
 - Reviewing all supporting documentation provided by the taxpayer to make sure everything needed to prepare the tax return is available (Forms W-2, 1099, payment receipts, etc.).
 - Making filing status and dependency determinations, when applicable, by completing the section on Form 13614-C to determine qualifications for head of household filing status and dependency exemptions.
- **Quality Review Process – 85%:** For FY2015, QSS reviews revealed a correct quality review process was used 85% of the time. The reviews also showed a 97% accuracy rate for returns prepared using a correct quality review process compared to 86% accuracy for returns prepared with an incorrect quality review process. Figure 3b provides a quick overview of the review results.

QSS reviews indicate that most sites are conducting complete quality reviews on all tax returns. However, some sites are using an incomplete quality review process, not using an approved quality review method, and not conducting a quality review on all returns.

FY15 Quality Review (Form 6729R)	Total Used	Correct Returns	Return Accuracy
Correct Quality Review Process	263	255	97%
Incorrect Quality Review Process	35	30	86%
Total	298	285	95.63%

Figure 3b

Correct Quality Review Process:

Every site should have a quality review process to confirm that tax law was correctly applied and the tax return is free from error based on a discussion with the taxpayer while using the completed intake sheet and any documents used to prepare the tax return to confirm the completed tax return is accurate. A quality review process should contain the following critical components:

- Reviewing photo ID for the taxpayer(s) and verifying taxpayer identification numbers for everyone listed on the tax return.
- Discussing the information on the tax return with the taxpayer while validating the completed Form 13614-C, all source documents, expenses and other items required to prepare the tax return all correlate.
- Confirming items reported on Form 13614-C were reported on the tax return.
- Ensuring everything listed in the quality reviewer’s section was verified. The quality reviewer is not required to use the quality reviewer’s section; however, all items in that section must be verified during the quality review.

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- The quality reviewer is required to use available source documents to confirm income, expenses, credits, and deposit/debit information on the return is correct.
 - As necessary, use Tax law reference materials to validate tax law qualifications.
- **Posting/Displaying Civil Rights information – 93%:** For FY2015, QSS reviews revealed Civil Rights information was posted at 93% of the sites. Six of the seven sites missed this QSR because they did not have the poster posted at the site. One site had an old revision of Publication 4053 posted.

Correct Civil Rights posting: Civil rights information is required to be displayed or provided to taxpayers at all VITA/TCE sites, at the first point of contact between the IRS-certified volunteer and the taxpayer even if a return is not completed. All VITA/TCE sites are required to display a **current** Publication 4053 (EN/SP), *Your Civil Right are Protected*, or a **current** D143, AARP Foundation Tax-Aide, poster. These posters provide volunteers and taxpayers with contact information to report discriminatory treatment. If a taxpayer or volunteer has a Civil Rights complaint, they must be referred to the contact information on Publication 4053 (EN/SP).

Analysis of Volunteer Certification and Training:

QPO tracks and analyzes the volunteer’s tax law certification level to determine if there is an impact on tax return accuracy. In prior filing seasons, SPEC tracked the method of training, length of training, and the level of volunteer experience to determine if these impacted return accuracy. Analysis of this data did not identify any trends or deficiencies. In FY 2014, SPEC revised Form 6729-R, *Return Review Sheet*, and eliminated these questions. In FY 2015, SPEC looked at the tax law certification level needed for the tax return to identify any trends or deficiencies. Returns requiring Advance tax law certification had the lowest accuracy level (94%), including errors in capital gains (3), taxable pensions (1), taxable social security benefits (1), cancellation of debt (1), and medical expenses on Schedule A (1). Figure 4 provides FY2015 return accuracy rates based on the volunteer tax law certification levels. It also shows the percentage of returns reviewed based on tax law certification levels.

Return Certification Level and Accuracy Percentages					
	Total	Correct	Incorrect	Accuracy Percentage	Percentage of Total Returns
Basic	173	170	3	98%	58%
Advance	122	112	10	92%	41%
Specialty	2	2	0	100%	0.5%
Military	1	1	0	100%	0.5%
Total	298	285	13	94% (weighted)	100%

Figure 4

Program Administration:

Seven Headquarters analysts and two detailed tax consultants performed 103 site and 298 return reviews. Sites on the SOI listing were assigned to reviewers based on the location of the site in comparison to the reviewer’s post of duty (POD). This ensured travel funds were used in the most cost effective manner possible. In FY2015, the analysts completed the reviews during the filing season within a ten week span.

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Summary and Recommendations:

Despite challenges with Affordable Care Act (ACA) Provisions, SPEC's overall 94.12% accuracy measure increased 2% from FY2014. Stability in QSS return accuracy is attributable to several factors including the use of consistent site processes, an experienced and dedicated volunteer base, and program familiarity. Volunteers have demonstrated a strong commitment to providing good customer service and accurate tax return preparation.

Volunteers are doing an exceptional job with tax return preparation. However, they are still challenged with implementing some of the quality processes included in the Quality Site Requirements (QSR). The QSR are proven to help prepare an accurate tax return. SPEC greatly appreciates the time, effort, dedication, and resources partners and volunteers provide to support the VITA/TCE Programs and the taxpayers served by these programs. However, we must ensure our quality processes are used by every volunteer, every time as volunteer return volume continues to increase.

For FY2016, we will continue to conduct QSS reviews and field site visits to provide oversight and assist volunteers with understanding and complying with the QSR.

Recommendations for Improvement include:

- Require all volunteers to complete a certification test for the Intake/Interview and Quality Review Process with a passing score of 80% or higher.
- Revise Form 13614-C to ease volunteer burden yet still promote a complete and correct intake and interview process.
- Continue to emphasize the need to use a correct intake and interview and quality review processes for every tax return prepared at the site in training and reference materials.
- Reduce the number of field site visits so tax consultants can provide pre-filing season training to site coordinators and partners.