

FY 2017 Stakeholder Partnerships, Education and Communication (SPEC)
Quality Statistical Sample (QSS) Review Results
July 5, 2017

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 FY2017, over 87,000 volunteers at 11,400 sites assisted more than 3.5 million taxpayers. Although SPEC conducts other types of oversight reviews, Quality Statistical Sample (QSS) return reviews determine the accuracy of tax returns prepared at all VITA/TCE sites. To ensure the measure is statistically valid, the Statistics of Income Office (SOI) determines which sites will be reviewed. SPEC's Quality Program Office (QPO) performs QSS reviews which include reviews of randomly-selected tax returns for accuracy and a thorough review of the site's processes and operations. The site review monitors adherence to Quality Site Requirements (QSR) and Volunteer Standards of Conduct (VSC). 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 2017, the QPO performed 103 of 110 planned site reviews and completed 302 of 330 planned return reviews. Although the QSS return review results indicate a 93.04% accuracy rate, SOI Office validated the VITA/TCE accuracy rate at 92.79%. The 92.79% accuracy rate is applied to the returns prepared in the volunteer program and includes a 2.77% precision margin with a 90% confidence level. This is the only statistically-valid measure which can be applied to the entire VITA/TCE return population to determine return accuracy.

Despite challenges faced this filing season, SPEC's QSS statistically-valid accuracy rate exceeded the FY2017 goal of 92%, with only a slight decrease from 94.61% in FY2016 to 92.79% in FY2017. The challenges, including implementation of new software and applying the Affordable Care Act (ACA) tax law provisions, were offset by several factors including program familiarity, dedicated and experienced volunteers, and consistent site operations. Figure 1 provides a quick overview of the return review results.

QSS Return Reviews	FY17
Total Planned	330
Total Completed	302
Total Correct Returns	281
Total Incorrect Returns	21
Overall Return Accuracy	92.79%

Figure 1

Volunteers are doing an exceptional job when preparing tax returns. However, with the increasing complexity of tax law, more taxpayers will seek assistance with tax return preparation at VITA/TCE volunteer sites. As volunteer sites assist more taxpayers, the accuracy of volunteer-prepared tax returns will become more critical.

Although the ending result of 92.79% is an impressive rating, applying this rate to the 3.5 million volunteer-prepared tax returns average to approximately 252,000 incorrect tax returns. Therefore, we should continue our efforts to strive for a 100% accuracy rate. This can be accomplished by improving training and volunteer resources, including forms and publications, as well as ensuring sites adhere to the QSR.

The most common tax law errors identified and the related accuracy rates were:

1. Other Income (AGI) – 98.68%: Errors were found in pensions/annuities (1), taxable Social Security Benefits (1), and Health Savings Account income (1).
2. Federal Tax Withholding – 99.01%: Three tax returns had errors in Federal Tax Withholding.
3. Investment Income – 99.34%: Errors were found in Interest Income (1) and Dividend Income (1).
4. Business Income (Schedule C) – 99.34%: Errors included omitted cash income (1) and business mileage expense.
5. Adjustments to Income – 99.34%: Errors were found in SE tax (1) and other (1).
6. Advance PTC Repayment – 99.34%: Two returns had errors entering information from Form 1095-A.
7. Health Coverage Exemption – 99.34%: Errors included claiming full-year MEC when an exemption should have applied (1) and coverage exemption for household (1).
8. American Opportunity Credit – 99.34%: Errors were found in allowable expenses (1) and other (1).

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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 (VSC). The results of these reviews ended with a 94.17% adherence rating. Figure 2a provides a quick overview of the review results.

QSS Site Reviews	FY17
Total Planned	110
Total Conducted	103
Total QSR Met	970
Total QSR Not Met	60
Overall Adherence to QSR	94.17%

Figure 2a

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 many 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.

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

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

Adherence to Quality Site Requirements			
Quality Site Requirements	FY16	FY17	Percent Change
QSR #1 Certification	93%	99%	+6%
QSR #2 Intake & Interview Process	79%		
QSR #2 Intake & Interview & Quality Review Process		53%	
QSR #3 Quality Review Process	88%		
QSR #3 Confirming Photo ID and TIN		100%	
QSR #4 Reference Materials	100%	100%	0%
QSR #5 Volunteer Agreement	98%	99%	+1%
QSR #6 Timely Filing	96%	99%	+3%
QSR #7 Civil Rights	96%	94%	-2%
QSR #8 Site Identification Number (SIDN)	100%	99%	-1%
QSR #9 Electronic Filing Identification Number (EFIN)	100%	100%	0%
QSR #10 Security	100%	98%	-2%

Figure 2b

QSR 2 and 3 were changed based on FY2016 findings. The Intake/Interview and Quality Review Processes were combined into the new QSR 2 and a new QSR 3, Confirming Photo ID and TIN was created. Combining the Intake/Interview and Quality Review Processes into one QSR prevented a site from missing two QSR for the same error.

Site adherence to most of the QSR appears consistent from FY2016 to FY2017. However, the Intake/Interview Process saw a significant decrease in adherence indicating that even with the merging of the Intake/Interview and Quality Review Processes into one QSR, volunteers continue to struggle with adherence to these two processes. In addition, SPEC saw a 6% increase in adherence to QSR 1, Certification; a 3% increase to QSR 6, Timely Filing; and a 2% decrease in QSR 7, Civil Rights. Conversely, QSR 10, Security, Privacy, and Confidentiality had a 2% decrease from FY2016.

The errors identified included data entry and tax law application. Data entry errors (8) include:

- Typos/transpositions of numbers
- Incomplete addresses
- Incorrect SSNs

Tax law application errors (13) include:

- Incorrect education expenses/taxable scholarship income
- ACA errors
- Adding other tax withholdings into federal tax withholding

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- Incorrectly computing taxable Social Security benefits
- Omitting SE income reported on Form 13614-C
- Incorrectly computing taxable pensions (should have used the Simplified Method)
- Omitting Mortgage Insurance Premiums from Schedule A
- Omitting student loan interest
- Incorrect Health Savings Account computation
- Adding commuting miles with Schedule C business miles
- Incorrectly reporting stipend income as nonemployee compensation
- Using required contributions to a retirement account for Retirement Savers Credit

The most common site review errors include:

- **Intake/Interview and Quality Review Process – 53%:** For FY2017, QSS site reviews revealed a correct Intake/Interview and Quality Review Process was used 53% of the time. Of the 302 QSS return reviews, 219 of the returns (72.52%) were prepared with a complete Intake/Interview & Quality Review Process. Of these, 211 (75.09%) of the correct returns and 8 (38.09%) of the 21 incorrect returns were completed with a complete Intake/Interview & Quality Review Process. The reviews also showed that volunteers who prepared tax returns using a complete Intake/Interview and Quality Review Process achieved a 96% accuracy rate compared to 84% accuracy when the process was incomplete or non-existent. This indicates volunteer use of a complete Intake/Interview & Quality Review Process results in more accurate returns. Yet, only 53.40% of the sites use a complete Intake/Interview & Quality Review Process.

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, volunteers are not always using Form 13614-C. Figure 3 provides a quick overview of the review results.

FY17 Intake/Interview and Quality Review Process (Form 6729R)	Total Used	Correct Returns	Return Accuracy
Correct Intake/Interview and Quality Review Process	219	211	96.35%
Incorrect or Incomplete Intake/Interview and Quality Review Process	83	70	84.34%
Total	302	281	92.79%*

Figure 3

* For consistency, return accuracy shown in Figure 3 is the weighted accuracy rate provided by SOI.

Most returns had incomplete or missing information on more than one part of Form 13614-C. Missing information for each part of Form 13614-C included:

- Part I: 45 returns were missing information in Part I. The most commonly-missed questions were questions 10 and 11 (15 each) and question 6 (10).
- Part II: 29 returns were missing information in Part II: The most commonly-missed area was the “To Be Completed by a Certified Volunteer Preparer” section for determining potential dependents.
- Part III: 23 returns were missing income information
- Part IV: 17 returns were missing expenses information
- Part V: 16 returns were missing Life Events information
- Part VI: 74 returns were missing health care information; of these, 56 were missing information in the “To Be Completed by a Certified Volunteer Preparer” section.

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Per Publication 5166, Quality Site Requirements, a correct Intake/Interview Process includes:

All sites are required to use Form 13614-C, *Intake/Interview & Quality Review Sheet*, for every tax return prepared by an IRS tax law-certified volunteer. All IRS tax law-certified volunteer preparers are required to complete the entire Intake and Interview Process when preparing tax returns. To promote accuracy, this process must include an interview with the taxpayer while reviewing Form 13614-C and all supporting documents **prior to preparing the tax return**. Whenever the taxpayer lists any person as a potential dependent on their tax return, the volunteer preparer is required to finish the “To be completed by Certified Volunteer” section on Page One for each potential dependent. The Intake and Interview Process includes:

- Determining the certification level of the tax return and having a process for assigning tax returns to the appropriate volunteer preparer.
- Ensuring the return is within the scope of the VITA/TCE Programs and the volunteer is certified to prepare the assigned tax return.
- Explaining to the taxpayer how to complete Form 13614-C, Pages One and Two.
- Verifying all questions in Parts I-VI are completed and “Unsure” answers have been addressed and changed to “Yes” or “No”.
- Reviewing all supporting documentation provided by the taxpayer.
- Making filing status and dependency determinations by using the resource tools and, if applicable, completing the volunteer section for individuals listed in Part II Question 2.
- Exercising due diligence by using probing questions to ensure complete information is gathered.

Per Publication 5166, a correct Quality Review Process includes:

All coordinators are required to have a correct Quality Review Process in place to verify all items listed on Form 13614-C in the IRS Tax Law-Certified Volunteer Quality Reviewer Section are correct. **A Quality Review Process includes 100% review of all tax returns.**

All tax returns are required to be quality-reviewed and discussed with the taxpayer. Reviews conducted by a designated reviewer or a peer-to-peer reviewer comply with this requirement. The quality reviewer should be the most experienced IRS tax law-certified volunteer preparer at the site. Self-review is not an approved method. All quality reviewers are required to inform the taxpayer, that they are ultimately responsible for the information on their tax return.

Every coordinator should ensure that a correct Quality Review Process is used to confirm that tax law was correctly applied and the tax return is free from error based on the taxpayer interview and the available supporting documents. A Quality Review Process must contain the following critical components for an effective and thorough quality review of all tax returns:

- Engaging the taxpayer’s participation in the quality review to solicit their understanding and agreement to the facts on the tax return.
- Using a completed Form 13614-C, supporting documents, and other information provided by the taxpayer to confirm identity, exemptions, income, expenses, adjustments, deductions, credits, and payments were entered correctly on the tax return.
- Using available source documents to confirm identity (photo ID), income, expenses, credits, and deposit/debit information on the tax return. If income or expenses are listed on the tax return that do not require a source document and one was not provided, Form 13614-C should be documented to indicate the taxpayer’s verbal response.
- Consulting tax law references (i.e. Publications 4012 and 17, and Volunteer Tax Alerts), as necessary, to verify the accuracy of tax law determinations.
- Exercising due diligence by advising taxpayers of their ultimate responsibility for the information recorded on their tax return.

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- **Posting/Displaying Civil Rights information – 94%:** For FY2017, QSS reviews revealed Civil Rights information was posted at 94% of the sites. Six sites missed this QSR because either they did not have the poster displayed at the site or had posted an old revision of Publication 4053.

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 Rights are Protected*, or a **current** D143, AARP Foundation Tax-Aide, poster. These posters provide volunteers and taxpayers with contact information to report discriminatory treatment.

- **Security – 98%:** For FY2017, QSS reviews revealed security requirements were met at 98% of the sites. Two sites missed this QSR.

Per Publication 5166, Security includes:

All security, privacy, and confidentiality guidelines outlined in Publication 4299, *Privacy, Confidentiality, and Civil Rights – A Public Trust*, are required to be followed. Publication 4299 serves as the central document for providing guidance on securing individual information shared by taxpayers, volunteers and partners as well as guidance on protecting the privacy of taxpayers', volunteers' and partners' individual information. A copy (paper or electronic) of this publication should be available at every site and used when referring to privacy, confidentiality, and civil rights.

To deter identity theft behavior at all VITA/TCE sites, all IRS-certified volunteers are required to wear name badges to display their identity to the taxpayers they assist, including a work ID, IRS name badge, AARP name badge, or similar product. At a minimum, this must include the first name and first letter of the last name.

Partners with a need to retain and use taxpayer information (for purposes other than tax return preparation) are required to follow Internal Revenue Code (IRC) Section 7216 procedures in Publication 4299.

Partners/coordinators are strongly encouraged to assign unique user names for each volunteer. Partners **are required** to have a process in place to identify every volunteer that prepared or made changes to a tax return. Volunteers' access privileges should be **limited** to the activities necessary to perform their volunteer role.

Analysis of Volunteer Certification and Training:

In FY 2017, SPEC looked at the tax law certification level needed for the tax return to identify any trends or deficiencies. QPO tracks and analyzes the volunteer's tax law certification level to determine if volunteer certification has an impact on tax return accuracy. Returns requiring Basic tax law certification had the highest accuracy rate (95%). Military and Specialty tax law certifications had a sample pool that was too small to provide reliable data. See Figure 4a for the FY2017 return accuracy rates based on the law certification level needed for the tax return.

Return Certification Level and Accuracy Percentages					
Form 6729R - Q2	Total	Correct	Incorrect	Accuracy Percentage	Percentage of Total Returns
Basic	193	183	10	95%	64%
Advance	103	93	10	90%	34%
Specialty	3	2	1	67%	1%
Military	3	3	0	100%	1%
Total	302	281	21	92.79% (weighted)	100%

Figure 4a

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The most accurate returns (93%) were prepared and quality-reviewed by volunteers with the certification levels needed for the tax law issues on the tax return. See Figure 4b.

Both Preparer & Quality Reviewer Certification at Level Needed and Accuracy Percentages					
Form 6729R - Q5	Total	Correct	Incorrect	Accuracy Percentage	Percentage of Total Returns
Both certified to the level needed	300	280	20	93%	99%
Neither certified to the level needed	1	0	1	0%	0.5%
Preparer not certified to the level needed	1	1	0	100%	0.5%
Total	302	281	21	92.79% (weighted)	100%

Figure 4b

Program Administration:

The QSS cadre consisted of nine Headquarters analysts, eight from Quality Program Office and one from National Partnerships, and one tax consultant from the field. 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 FY2017, the analysts completed the reviews during the filing season within a ten-week span.

Summary and Recommendations:

Despite challenges with acclimating to using new software and applying the Affordable Care Act (ACA) Provisions, SPEC's overall 92.79% accuracy measure decreased only slightly (1.81%) from FY2017. 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 continue to demonstrate a strong commitment to providing good customer service and accurate tax return preparation. Volunteers are doing an outstanding job with tax return preparation. 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, research shows volunteers continue to be challenged with QSR #2, Intake/Interview and Quality Review Process. Consistent use of the QSR is proven to help volunteers prepare accurate tax returns. All VITA/TCE stakeholders must ensure quality processes are used by every volunteer, every time, to assure continuing high return accuracy rates.

For FY2018, SPEC will continue to conduct QSS reviews, Field Site Visits, and Remote Site Reviews to provide oversight and assist volunteers with understanding and adhering to the QSR.

Recommendations for Improvement include:

- Continue to require all volunteers to certify, with a passing score of 80% or higher, on the Intake/Interview and Quality Review Process test.
- Revise products, including Intake/Interview and Quality Review Process Training to better demonstrate how to conduct both a correct Intake/Interview Process and a complete Quality Review Process in TaxSlayer.