U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

July 14, 2022

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service

Management Report: IRS Should Test Videoconference Visits with Paid Preparers

Dear Mr. Rettig:

In connection with our ongoing audit of the Internal Revenue Service's (IRS) Refundable Credits Return Preparer Strategy, we found that IRS was unable to conduct some of its in-person compliance visits to paid preparers during the COVID-19 pandemic due to restrictions on in-person activities.[1] IRS established this compliance and education program to help address the high amount of improper payments of refundable tax credits. IRS estimated improper payments to be about $26 billion in fiscal year (FY) 2021. According to IRS officials, in-person visits to paid preparers offer IRS an important opportunity to interact with preparers, identify problems, and help improve compliance with due diligence requirements. Due diligence requirements are set by law and help ensure accurate preparation of tax returns when claiming certain refundable credits and tax benefits.[2] While due diligence visits and knock and talk visits can be among the most expensive compliance efforts, they help IRS address millions of dollars in potentially improper claims at a relatively low cost. From FY 2017 to 2020, IRS estimated that these visits on average protected about $118 million of tax revenue per year at an average cost of $3.3 million per year.

During our audit, we identified an immediate action for IRS to test videoconference visits with paid preparers for the upcoming fiscal year to supplement its current efforts. IRS's Refundable Credits Return Preparer Strategy includes pilot testing of new compliance actions most years. The annual planning process occurs during the summer months. IRS should consider including a videoconference pilot as part of its Refundable Credits Return Preparer Strategy for the upcoming fiscal year. Videoconference visits could help IRS mitigate in-person restrictions in the

[1]Because a large portion of the program's activities focus on claims of refundable credits—including the Earned Income Tax Credit, Additional Child Tax Credit, and American Opportunity Tax Credit—from tax returns prepared by paid preparers, we refer to this IRS program as the Refundable Credits Return Preparer Strategy. In its program documentation, IRS has referred to this program in several ways including the Refundable Credits Return Preparer Strategy, the Return Preparer Strategy, and the Earned Income Tax Credit Return Preparer Analysis. However, Refundable Credits Program Management administers the program. It is separate from other IRS service-wide agency efforts involving paid preparers. We recognize that this program's activities address preparer due diligence for both refundable tax credits and other tax benefits which are not refundable credits, as we describe later in this report.

[2]26 U.S.C. § 6695(g); 26 C.F.R. § 1.6695-2.

near term and provide additional benefits over the long term, such as increased flexibility, modernization of IRS compliance activities, and operational cost savings.

To conduct this work, we analyzed IRS documentation and aggregated data on program activities between FY 2017 and 2022. We also interviewed officials to report on IRS's approach to identifying high-risk preparers and treatments, or actions taken to improve compliance, such as education and compliance visits with preparers. We reviewed IRS pilots of new compliance actions between FY 2017 and 2021, including the number of treatments conducted and their results. Based on reviews of IRS documentation, interviews with IRS officials, and logic tests, we found these data to be sufficiently reliable to describe the number of preparer education and compliance visits conducted, and the corresponding revenue protected estimates. We assessed these efforts and areas for improvement and compared them to IRS's strategic goals.[3]

We conducted this performance audit from May 2021 to July 2022 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Background

Refundable tax credits—such as the Earned Income Tax Credit, Additional Child Tax Credit, and American Opportunity Tax Credit—provide relief to millions of taxpayers who meet specific eligibility requirements depending on the credit.[4] However, these credits can be prone to improper payments.[5] In FY 2021, IRS estimated that it issued $115 billion in payments to taxpayers who claimed these credits. IRS further estimated that $26 billion—or 23 percent—of payments associated with these credits were likely to be improper payments.[6]

Half of taxpayers who claim refundable credits use paid preparers to file complete, accurate, and compliant returns. Paid preparers are legally required to take four specific steps—called due diligence requirements—when preparing taxpayer returns that claim certain refundable credits and other tax benefits, like Head of Household filing status.[7] IRS can propose financial penalties on preparers for failing to comply with due diligence requirements. To comply with due diligence requirements, paid preparers must take the following four steps:

- complete Form 8867, *Paid Preparer's Due Diligence Checklist;*[8]

[3]IRS, *Fiscal Years 2018 to 2022 Strategic Plan* (Washington, D.C.: April 2018) and *Taxpayer Experience Strategy Roadmap* (September 2021).

[4]Refundable credits differ from other tax credits in that taxpayers can claim the full amount of the credit even if it exceeds their tax liabilities. This can result in IRS issuing a payment to the taxpayer.

[5]Improper payments are payments that should not have been made, were made in the wrong amount, or lacked sufficient documentation. Improper payments can result from inaccurate claims—both under-claims and over-claims—that are not recovered or corrected by IRS through enforcement or other activities.

[6]Department of the Treasury, *Agency Financial Report, Fiscal Year 2021* (Washington, D.C.: Nov. 15, 2021).

[7]26 U.S.C. § 6695(g); 26 C.F.R. § 1.6695-2.

[8]26 C.F.R. § 1.6695-2(b)(1).

- complete the applicable worksheet or otherwise record the computation of the credits, including the method and information used to make the computations;[9]

- make reasonable inquiries and, at the same time, document their clients' responses to support the computation of the credit;[10] and

- keep records—for 3 years—of the Form 8867, computational worksheets, and other documentation, such as copies of client records that the preparer relied upon to calculate the credit or determine the filing status.[11]

IRS identifies preparers with a high risk of noncompliance. It conducts education and compliance actions to encourage preparer compliance with due diligence requirements. Using automated filters and algorithms, IRS identifies preparers who submitted returns with a high risk of containing errors. Of those, it selects the preparers with the highest risk of noncompliance and takes various education and compliance actions. These actions include sending educational letters, calling preparers, auditing the preparers' clients, and conducting visits with the preparers. IRS also pilots new actions and modifies existing actions to improve the effectiveness of its program.

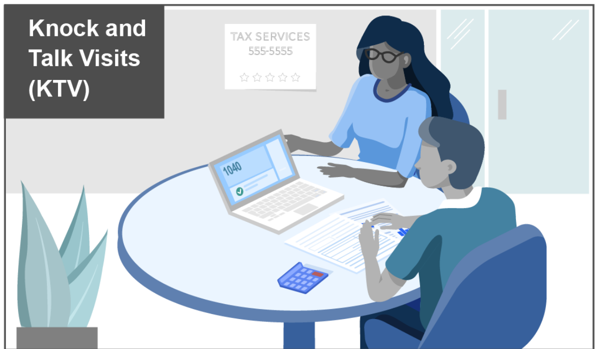
For preparers with the highest risk of noncompliance, IRS applies its most aggressive actions to improve compliance: visits to preparers. IRS conducts two types of visits with preparers: knock and talk visits (KTV) focus on education, while due diligence visits (DDV) focus on compliance (see figure 1). IRS conducts all KTVs in person, but conducts DDVs either in person or via correspondence, where an IRS examiner reviews preparer documents submitted by mail or other methods and holds teleconferences with the preparer.

[9] 26 C.F.R. § 1.6695-2(b)(2).

[10] 26 C.F.R. § 1.6695-2(b)(3).

[11] 26 C.F.R. § 1.6695-2(b)(4).

Figure 1: Types of IRS Visits with Preparers and Results



- Focused on **education**
- IRS reviews preparer's files for five to 25 client returns and discusses errors
- IRS offers tips to improve accuracy, answers questions, explains consequences of inaccuracies
- IRS conducts all KTVs in person

Results

Fiscal years (FY) 2017 to 2020, IRS on average:
- Selected about 180 preparers for KTVs
- Protected an estimated $14 million of revenue per year
- Generated a return on investment ranging from $34 to $104

FY 2021 and 2022, IRS:
- Conducted no KTVs due to COVID-19 pandemic

- Focused on **compliance**
- IRS reviews preparer's files for 25+ client returns and examines corroborating documentation such as forms, worksheets, and questionnaires
- IRS proposes penalties in cases of due diligence noncompliance
- IRS conducts DDVs in person or via correspondence, where examiners review preparer-submitted documentation and contact preparers by telephone

Results

FY 2017 to 2020, IRS on average:
- Selected about 1,000 preparers for DDVs both in person and by correspondence
- Protected an estimated $104 million of revenue per year
- Generated a return on investment ranging from $38 to $61

FY 2021 and 2022, IRS:
- Selected about 350 preparers each year for DDVs
- Conducted all DDVs by correspondence due to COVID-19 pandemic

Source: GAO analysis of Internal Revenue Service data. Images created by GAO using files from Rudzhan/Irina Strenlnikova/stock.adobe.com. | GAO-22-105978

Note: Revenue protected and return on investment are based on IRS estimates and are subject to some uncertainty. Each year, IRS performs statistical tests to estimate revenue protected for each visit type and compute a range of estimated revenue protected using a 95 percent confidence interval. For example, in FY 2020, IRS estimated that revenue protected for KTVs was $16 million with a confidence interval ranging from $8.5 million to $23.5 million. It estimated that revenue protected for DDVs was $97 million with a confidence interval ranging from $67 million to $127 million. To calculate return on investment, IRS adds the estimated revenue protected to any proposed penalties and divides this subtotal by the total cost of conducting the visits.

IRS estimates the tax revenue protected by its preparer visits using a multistep process. First, IRS randomly assigns preparers with similar risk profiles to two groups: (1) a test group that receives visits and (2) a control group that does not. Then, after administering the visits, IRS analyzes the annual change in over-claims of tax credits for both groups of preparers. If IRS observes that the test group of preparers reduced its over-claims by more than the control group, IRS considers the reduction as revenue protected.[12]

IRS uses its estimates of revenue protected to quantify the effect of preparer visits and to calculate the return on investment of its visits. To calculate return on investment, IRS adds the estimated revenue protected to any proposed penalties and divides this subtotal by the total cost of conducting the visits.

Videoconferencing May Help IRS Further Overcome Challenges with Preparer Visits

IRS faces challenges in conducting visits with paid preparers due to COVID-19 in-person restrictions and limited staff availability. This limits IRS's ability to improve compliance and reduce improper payments. Recent declines in the number of KTVs and DDVs conducted with preparers have limited the amount of revenue IRS can protect from improper claims of refundable credits and other tax benefits. Testing a videoconferencing option for preparer visits could help IRS address some of the in-person restrictions and expand IRS's efforts to work with paid preparers. However, IRS has yet to take steps to pilot videoconferencing for these activities.

According to IRS officials, in FY 2021 and 2022, IRS did not conduct any KTVs with preparers due to the COVID-19 pandemic. In addition, IRS conducted fewer DDVs than normal due to limited staff availability. While IRS officials suggested that in-person visits may resume and that staffing restrictions could ease in the near term—which would help preparer visits return to prepandemic levels—they are uncertain of exactly when this will happen.

Prior to FY 2021, KTVs were an effective preparer education activity that helped protect millions of dollars of revenue from improper claims of refundable credits and other tax benefits. IRS was also able to select more preparers to receive DDVs. IRS estimates indicate that KTVs and DDVs are a worthwhile investment of agency resources because the estimated revenue protected by these visits far exceeds the cost to conduct them (see table 1).

---

[12]We report estimates from IRS's preparer-based model of revenue protected. According to IRS officials, these estimates are reliable for all of the years that we analyzed, but have some limitations. While IRS has developed a second model of revenue protected, the client-based model, to address these limitations, officials said that revenue protected estimates from this model are not reliable for all of the years we analyzed. The limitation of the preparer-based model is that it may overstate revenue protected because it does not account for preparers' clients who switch to a different preparer or to self-preparation but continue to file over-claims. The client-based model does account for clients who switch their preparer or change to self-preparation, but officials said that their client-based estimates contained errors in FY 2017 and 2018. However, recent estimates from the client-based model are similar to estimates from the preparer-based model. For example, in FY 2020, IRS estimated KTVs and DDVs combined protected $113 million according to the preparer-based model, compared to $92 million according to the client-based model.

Table 1: Performance Measures for IRS Visits with Paid Preparers, Fiscal Years 2017 to 2022

Visit type	Performance measure	2017	2018	2019	2020[a]	2021	2022
Knock and talk visits	Number of preparers selected	201	151	227[b]	141	0	0
	Estimated revenue protected (dollars in millions)[c]	$10	$14	$16	$16	$0	$0
	Return on investment (per dollar)[d]	$34	$57	$68	$104	$0	$0
Due diligence visits	Number of preparers selected	1,050	962	994	1,035	356	368
	Estimated revenue protected (dollars in millions)[c]	$118	$86	$114	$97[e]	$35	--
	Return on investment (per dollar)[d]	$61	$42	$43	$38	$38	--

Source: GAO analysis of IRS data. | GAO-22-105978

Note: -- = IRS estimate not yet available.

[a]IRS typically aims to complete knock and talk visits from October to December and due diligence visits from October to April. This means that in fiscal year 2020, IRS completed most of its preparer visits prior to COVID-19 being declared a national emergency in March 2020.

[b]A total of 227 knock and talk visits were planned, but 53 cases had to be canceled due to the government shutdown.

[c]Revenue protected and return on investment are based on IRS estimates and are subject to some uncertainty. IRS estimates revenue protected by comparing the annual change in over-claims of tax credits by a randomly selected test group of preparers, that receive an IRS visit, to that claimed by a control group that receives no action. IRS performs statistical tests to estimate revenue protected for each visit type and compute a range of estimated revenue protected using a 95 percent confidence interval. For example, in fiscal year 2020, IRS estimated that revenue protected for due diligence visits was between $67 million and $127 million and that revenue protected for knock and talk visits was between $8.5 million and $23.5 million. In fiscal year 2021, IRS estimated that revenue protected for due diligence visits was between $16 million and $54 million. To calculate return on investment, IRS adds the estimated revenue protected to any proposed penalties and divides this subtotal by the total cost of conducting the visits.

[d]Return on investment calculation includes proposed due diligence penalties in addition to estimated revenue protected.

[e]In fiscal year 2020, a portion of due diligence visits remained in progress when IRS was accumulating program data. Thus, IRS was unable to estimate revenue protected for these cases.

IRS Refundable Credits Return Preparer Strategy officials reported two persistent challenges that have affected preparer visits even prior to COVID-19: limited staff availability and geographical constraints. The program relies on staff from other IRS divisions to conduct preparer visits, such as Small Business Self-Employed examiners and Criminal Investigations agents. The availability of these staff directly affects the number of visits the Refundable Credits Return Preparer Strategy can conduct. In addition, IRS has struggled to conduct visits with preparers who are located in geographic areas far from IRS examiners because of the time, cost, and resources needed to reach these preparers.

IRS's recent experience piloting and implementing correspondence DDVs, including mail and telephone interactions, demonstrates that it can address some challenges by testing alternatives to traditional in-person visits. In FY 2016, IRS tested mail and telephone DDVs on about 20 preparers. The next year, IRS increased the pilot to 82 preparers. Pilot results indicated that the correspondence process effectively identified noncompliance, and provided a return on investment consistent with in-person DDVs. Since then, IRS expanded the use of correspondence DDVs and has conducted at least some DDVs via correspondence in every year since. In FY 2021, IRS exclusively used correspondence DDVs amid COVID-19 in-person restrictions. Program officials said they used the same approach in FY 2022 (see table 2). IRS officials reported that correspondence DDVs mitigate geographic constraints, reduce examiner travel costs, and give examiners more flexibility in their schedules.

Table 2: Number of Paid Preparers Selected for In-Person Due Diligence Visits and Correspondence Due Diligence Visits, Fiscal Years 2017 to 2022

	2017	2018	2019	2020	2021	2022
In-person due diligence visits	968	851	761	725	0	0
Correspondence due diligence visits	82	111	233	310	356	368
Total	**1,050**	**962**	**994**	**1,035**	**356**	**368**

Source: GAO analysis of IRS data. | GAO-22-105978

Note: Due diligence visits are IRS compliance visits with paid preparers where an IRS examiner reviews a preparer's files for client returns. IRS conducts these visits either in person or via correspondence, where examiners review preparer-submitted documentation and contact preparers by telephone.

However, IRS officials said they have not tested videoconferencing as an option to conduct face-to-face visits with preparers. While correspondence DDVs already offer IRS an alternative way to conduct DDVs, incorporating a videoconferencing element in addition to examiner review of submitted documentation may further strengthen these visits. Videoconferencing may improve preparer understanding of due diligence requirements during the review. For example, some tax preparation professionals that we interviewed said that correspondence DDVs currently do not allow for the types of personal interactions that facilitate improvements to the preparer's understanding of due diligence requirements.

Videoconference visits may also give IRS an alternative method to conduct more education-oriented KTVs when in-person visits are either impossible or impractical, while still providing a face-to-face element to help promote preparer education and compliance with due diligence requirements. For example, videoconference KTVs might be a cost-effective way to expand educational visits with preparers, especially to those not operating within a close proximity of IRS field offices.

Other parts of IRS have used videoconferencing technology to adapt to COVID-19 in-person restrictions and improve taxpayer services. We reported in October 2021 that some IRS examination functions began using videoconferencing technology to continue to work cases while safely interacting with taxpayers.[13] Similarly, IRS's Office of Appeals has offered videoconferencing to taxpayers since 2018. It has found that these virtual face-to-face visits have benefits such as (1) ensuring engagement and facilitating communication, (2) reducing travel time and effort, and (3) allowing for real-time visual presentation of information in a secure virtual environment.[14] The National Taxpayer Advocate has also highlighted other IRS organizations that have incorporated videoconferencing technology, including Large Business and International, and the Office of Chief Counsel.[15]

[13]See enclosure entitled, *COVID-19 Impact on IRS Enforcement* in appendix I of *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response,* GAO-22-105051 (Washington, D.C.: Oct. 27, 2021).

[14]See GAO, *Tax Administration: Taxpayer Input Could Strengthen IRS's Online Services,* GAO-20-71 (Washington, D.C.: Dec. 19, 2019).

[15]The National Taxpayer Advocate is the head of an independent office within IRS. The National Taxpayer Advocate helps taxpayers resolve problems with IRS and addresses broader, systemic issues that affect groups of taxpayers by recommending administrative and legislative changes to mitigate such problems. See, National Taxpayer Advocate, *Annual Report to Congress 2021* (Washington, D.C.: Dec. 31, 2021).

IRS has emphasized the need to expand digital services to taxpayers and professionals to promote positive interactions and increase voluntary compliance. Objectives in IRS's *Fiscal Year 2018-2022 Strategic Plan* include (1) developing innovative approaches to understand, detect, and resolve potential noncompliance, such as by testing the effectiveness of various treatments on taxpayer and preparer compliance; and (2) expanding secure digital options for taxpayers and professionals to interact efficiently with IRS.[16] Other IRS strategic planning documents such as the Taxpayer First Act Report to Congress and the Taxpayer Experience Strategy Roadmap emphasize the need for IRS to expand various digital services and offer online channels for the taxpayer and preparers to contact IRS.[17]

IRS officials raised some questions about the potential benefits of videoconference KTVs and DDVs compared to their current activities. On KTVs, officials said that videoconferencing KTVs may not be as effective as in-person KTVs because videoconference technology cannot recreate true in-person interactions. Officials called such interactions critical to KTVs' success.[18] On DDVs, officials said that correspondence DDVs already provide a viable alternative to in-person DDVs and allow preparers to interact with IRS examiners via telephone. Officials also noted that even if a videoconference option was in place, IRS examiners would still base their review findings on documents provided by the preparer. Thus, they could not rely on documents shared via video only.

Program officials also raised several potential technical challenges and costs related to implementing videoconference visits. These include: (1) preparers having issues using videoconferencing technology; (2) the need for additional coordination between IRS staff and the preparer to set up a videoconference visit; (3) obtaining enough software licenses for IRS staff; and (4) getting agreement from IRS staff in other divisions who conduct the visits to use videoconferencing.

While we recognize that IRS may face initial costs and challenges in implementing videoconferencing visits, conducting a pilot could help IRS evaluate costs, benefits, and other challenges to make efficient resource allocation decisions. Further, the pilot's documentation could include well-defined, clear, and measurable objectives and standards for identifying lessons learned about the pilot to inform decisions about scalability and whether, how, and when to integrate pilot activities into overall efforts.

Without plans to test videoconferencing visits with preparers, IRS will remain limited in its efforts to address preparer noncompliance. In addition, it may miss opportunities to innovate its compliance actions and align with agency-wide efforts to expand digital services to taxpayers and professionals. While videoconferencing may not address all of IRS's challenges, it could produce both immediate and long-term benefits. For now, IRS could continue important KTV education visits to reduce inaccurate tax preparation services and to protect potentially millions of dollars of revenue. Even after in-person restrictions end, videoconferencing technology may

---

[16]IRS, *Strategic Plan Fiscal Years 2018 to 2022* (Washington, D.C.: April 2018).

[17]IRS, *Taxpayer First Act to Report to Congress* (Washington, D.C.: January 2021) and *Taxpayer Experience Strategy Roadmap* (September 2021).

[18]KTVs typically involve an IRS Criminal Investigations agent who accompanies an IRS examiner on the visit. IRS also conducts so called KTV Lites, which do not involve a Criminal Investigations agent.

result in additional operational efficiencies for KTVs and could improve the effectiveness of DDVs that are not conducted in person.

Recommendations for Executive Action

We are making the following two recommendations to IRS:

The Commissioner of Internal Revenue should pilot test and evaluate the costs, benefits, and challenges of using videoconferencing technology for its education and compliance visits with paid preparers. (Recommendation 1)

If IRS finds the benefits outweigh the costs, IRS should implement the use of videoconferencing as a method for conducting and potentially expanding its education and compliance visits with paid preparers. (Recommendation 2)

Agency Comments and Our Evaluation

We provided a draft of this report to IRS. IRS provided written comments, which are summarized below and reproduced in enclosure I.

In its comments, IRS agreed with our recommendation to pilot test the use of videoconferencing technology and evaluate the costs, benefits, and challenges of doing so. IRS also agreed, based on the outcome of the evaluation, to expand the use of videoconferencing technology as a method to contact paid preparers for its education and compliance visits.

This report contains recommendations to you. The head of a federal agency is required by 31 U.S.C. § 720 to submit a written statement on action taken or planned on our recommendation to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, the congressional committees with jurisdiction over the programs and activities that are the subject of our recommendation, and GAO not later than 180 days after the date of this report. A written statement must also be sent to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 180 days after the date of this report. Please send your statement of actions to me at McTigueJ@gao.gov or Neil Pinney, Assistant Director, at PinneyN@gao.gov.

We are sending copies of this report to the Chairs and Ranking Members of Senate and House committees and subcommittees that have appropriation, authorization, and oversight responsibilities for IRS. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at 202-512-6806 or McTigueJ@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Neil Pinney, Assistant Director; Robyn Trotter, Analyst-in-Charge; Kim Bohnet; Caitlin Cusati; Rob Gebhart; Krista Loose; Carl Nadler; Edward Nannenhorn; Bryan Sakakeeny; Andrew J. Stephens; and Alicia White.

Sincerely yours,

James R. McTigue Jr

James R. McTigue, Jr.
Director, Tax Issues
Strategic Issues

Enclosure - I

Enclosure I: Comments from the Internal Revenue Service

DEPUTY COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

June 22, 2022

Mr. James R. McTigue
Director, Tax Policy and Administration
Strategic Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. McTigue:

I have reviewed the draft report entitled *Management Report: IRS Should Test Videoconference Visits with Paid Preparers (GAO 22-105978)* and appreciate the opportunity to provide comments.

The IRS has an effective Refundable Credits Return Preparer Strategy, which includes a balanced program of compliance and outreach activities to assist tax return preparers in meeting their due diligence requirements under the Internal Revenue Code. The overall strategy seeks to improve the accuracy of tax returns through due diligence education and enforcement.

The Refundable Credits Program Management office coordinates with other IRS functions to administer treatments on selected preparers and associated clientele. As summarized in Table 1 of the report, we estimate the Knock and Talk Visits, which consist of compliance and educational correspondence, telephone calls, and client audits, protected an average of $14 million per year for fiscal years 2017 through 2020. For the same period, we estimate the average revenue protection attributed to the Due Diligence Visits (DDVs) at an additional $104 million per year. These results demonstrate the effectiveness of the program efforts.

The DDVs are a vigorous treatment option, consisting of preparer audits that are conducted both in-person and via correspondence by Revenue Agents and Tax Compliance Officers. This treatment is applied to the most egregious preparers after lower cost and less intensive interventions have not resulted in improved due diligence compliance. During the DDV, the return preparer's documentation and files are reviewed to determine compliance with the due diligence requirements.

For correspondence DDVs, requested documents are mailed or faxed to the employee performing the review. The same process would be followed if videoconference technology is used for future treatments. A preparer must meet all of the following conditions to be considered in compliance with the due diligence requirements[1]:

- Complete and submit Form 8867, *Paid Preparer's Due Diligence Checklist*.
- Complete the applicable worksheets or otherwise record the computation of the credits, including the method and information used to make the computations.
- Make reasonable inquiries and contemporaneously document those inquires to support the computation of the credits.
- Retain for three years, copies of Form 8867 and the applicable credit worksheets, along with a record of how, when and from whom the information was obtained to prepare the tax return.

Each year modifications to the program are implemented to reflect lessons learned in prior years and test new methods to improve preparer compliance. We will explore the feasibility of the recommendations made in the report. Our comments on the recommendations are enclosed. If you have any questions, please contact Mike Beebe, Director, Return Integrity and Compliance Services, Wage and Investment Division, at (470) 639-3250.

Sincerely,

Paul J. Mamo Digitally signed by Paul J. Mamo Date: 2022.06.22 15:09:38 -04'00'

Douglas W. O'Donnell
Deputy Commissioner for
Services and Enforcement

Enclosure

[1] Treasury Regulation § 1.6695-2, *Tax Return Preparer Due Diligence Requirements*

Enclosure

Recommendation [sic] for Executive Action

We are making the following two recommendations to IRS:

RECOMMENDATION 1
The Commissioner of Internal Revenue should pilot test and evaluate the costs, benefits, and challenges of using videoconferencing technology for its education and compliance visits with paid preparers.

COMMENTS
We agree to explore the feasibility of conducting preparer treatments via videoconferencing technology. We have initiated preliminary discussions with stakeholders to identify costs, benefits and challenges associated with this recommendation. We envision a series of small pilot studies to understand the operational challenges that may arise when executing video conferencing. If the initial studies are deemed successful, future studies will include videoconference compliance visits.

RECOMMENDATION 2
If IRS finds the benefits outweigh the costs, IRS should implement the use of videoconferencing as a method for conducting and potentially expanding its education and compliance visits with paid preparers.

COMMENTS
We agree with the recommendation.

(105978)

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. You can also subscribe to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube.
Subscribe to our RSS Feeds or Email Updates. Listen to our Podcasts.
Visit GAO on the web at https://www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: https://www.gao.gov/about/what-gao-does/fraudnet

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

A. Nicole Clowers, Managing Director, ClowersA@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548