

## **2023-105 AUDIT SCOPE AND OBJECTIVES**

### **Franchise Tax Board—Middle Class Tax Refunds**

The audit by the California State Auditor will provide independently developed and verified information related to the Franchise Tax Board's (FTB) administration of Middle Class Tax Refunds. The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Assess FTB's process for distributing Middle Class Tax Refunds, taking the following actions:
  - (a) Identify the amounts and distribution method used each month when FTB disbursed Middle Class Tax Refunds since the enactment of the Better for Families Act.
  - (b) Determine whether Middle Class Tax Refunds were appropriately calculated and distributed and whether Californians received them in a timely and secure manner.
  - (c) Assess the plans and timeline for distributing the remaining Middle Class Tax Refunds, and the planned manner of payment.
  - (d) To the extent possible, identify the demographics of Middle Class Tax Refund recipients and determine the demographics of those who reported possible fraud related to those payments.
  - (e) Identify any computer or technological issues that have inhibited or delayed FTB's efforts to deliver Middle Class Tax Refunds.
  - (f) Determine whether Middle Class Tax Refund recipients were required to pay charges to access their refunds and whether any such charges are appropriate and reasonable.
3. Identify any best practices on the methods for distributing future tax refunds. Evaluate the benefits and risks of different distribution methods including, but not limited to, the risk of fraud.
4. Determine what challenges FTB or its vendor have faced when responding to individuals experiencing fraud and those seeking information about their Middle Class Tax Refunds. In addition, review any customer service survey efforts FTB has undertaken.
5. To the extent possible, determine the prevalence of fraud involving Middle Class Tax Refunds, including those issued by debit cards. Assess FTB's efforts to detect, reduce, and investigate potential fraud to determine whether those efforts have been sufficient and effective. Identify who bears the costs related to Middle Class Tax Refund fraud.
6. To the extent possible, determine how quickly FTB and its vendor have provided refunds to Californians who have experienced fraud related to Middle Class Tax Refunds.
7. Assess FTB's vendor selection process as well as its oversight of the vendor's activities, including its issuance of debit cards and provision of customer service. In addition, perform the following review:

**2023-105 AUDIT SCOPE AND OBJECTIVES**  
**Franchise Tax Board—Middle Class Tax Refunds**  
**Page 2**

- (a) Determine whether the contract between the FTB and its vendor that produced debit cards contains reasonable terms and protects the best interests of the State and the recipients of Middle Class Tax Refunds.
  - (b) Determine whether FTB adequately protected Californians' privacy and personal information when it shared data with its vendor.
8. Review and assess any other issues that are significant to the audit.