

**Audit of Fiscal Year 1997 Incurred Costs
For TIR-92-0014**

October 1999

Reference Number 20001C002

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

10 = Trade Secrets or Commercial/Financial Information



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 13, 1999

MEMORANDUM FOR JAMES A. WILLIAMS
ASSISTANT COMMISSIONER (PROCUREMENT)
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Audit of Fiscal Year 1997 Incurred Costs for TIR-92-0014

In response to your request, the Defense Contract Audit Agency (DCAA) audited the contractor's certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 1997 incurred costs. DCAA performed sufficient audit tests to obtain reasonable assurance about whether the proposal is free of material misstatement.

In summary, DCAA questioned the treatment of purchased labor, the portion of professional association dues applicable to lobbying activities, and non-allowable costs allocated from the home office. These questioned costs decreased the DCAA recommended indirect cost rate 10 and decreased the recommended cost of money factor 10. The contracting officer will negotiate a final indirect cost rate and the cost of money factor with the contractor. In order to determine the effect on the contract costs, the final negotiated indirect cost rate and the cost of money factor must be applied to the costs billed for Fiscal Year 1997.

The information in this report should not be used for purposes other than that intended without prior consultation with the Office of the Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organizations Programs), at (202) 622-8500.

NOTICE:

The Office of the Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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