**Incurred Cost Audit
TIRNO-95-C-00099**

**August 2000**

**Reference Number:  2000-1C-134**

**DEPARTMENT OF THE TREASURY**

WASHINGTON, D.C.  20220

August 28, 2000

MEMORANDUM FOR JAMES A. WILLIAMS
                          DIRECTOR OF PROCUREMENT
                          INTERNAL REVENUE SERVICE

FROM:                 Pamela J. Gardiner
                      Deputy Inspector General for Audit

SUBJECT:        Incurred Cost Audit TIRNO-95-C-00099

The Defense Contract Audit Agency (DCAA) audited the incurred costs submission. The purpose of the audit was to determine the allowability of direct costs and indirect cost rates and establish audit determined indirect cost rates for Calendar Year 1998.

The DCAA qualified its audit report because the accounting and billing systems were inadequate in part, and the contractor did not comply with four cost accounting standards (CAS).  The inadequacies were considered relatively insignificant; however, the impact of the CAS non-compliance could not be determined.

In summary, the DCAA did not find any exceptions to the proposed indirect rates or the direct costs.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury 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 and Exempt Organizations Programs), at (202) 622-8500.

# NOTICE: