



*Incurred Cost Audit for Fiscal Year 2001*

**December 2005**

**Reference Number: 2006-1C-012**

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.

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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 20, 2005

**MEMORANDUM FOR** DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

*Daniel R. Devlin*

**FROM:** Daniel R. Devlin  
Assistant Inspector General for Audit (Headquarters Operations  
and Exempt Organizations Programs)

**SUBJECT:** Incurred Cost Audit for Fiscal Year 2001  
(Audit # 20061C0203)

The Defense Contract Audit Agency (DCAA) examined the contractor's certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year (FY) 2001 incurred costs. The purpose of the examination was to determine allowability and allocability of direct and indirect costs and to establish audit-determined indirect cost rates for January 1, 2001, through December 31, 2001. The proposed rates apply primarily to the flexibility priced contracts.

The DCAA qualified its audit report pending receipt of assist audits of the proposed FY 1999, 2000, and 2001 subcontract costs to the extent that the assist audits may disclose additional questioned costs. The DCAA did not examine the subcontract costs and consider them unresolved pending receipt of the requested assist audits.

Claimed direct costs are acceptable and are provisionally approved pending final acceptance. The contractor's proposed indirect rates are acceptable as adjusted by the DCAA examination.

The DCAA report was issued on September 29, 2003; however, the Treasury Inspector General for Tax Administration did not receive the report until November 2005. We are transmitting this report to you to enable the Internal Revenue Service to track any financial accomplishments derived from negotiations with the contractor based on the results of this DCAA report.



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The information in this report should not be used for purposes other than those intended without prior consultation with the Treasury Inspector General for Tax Administration regarding their applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director, at (202) 927-7077.

Attachment

# NOTICE:

The Office of 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 U.S.C. § 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.

