
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



*Incurred Cost Audit for the Period
July 1, 2000, through September 30, 2001*

December 2005

Reference Number: 2006-1C-013

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 the Period July 1, 2000, through
September 30, 2001 (Audit # 20061C0204)

The Defense Contract Audit Agency (DCAA) examined the contractor's incurred cost proposal and related books and records for reimbursement of Fiscal Year 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 July 1, 2000, through September 30, 2001. The DCAA indicated that this is a 15-month fiscal year because the contractor changed its fiscal year from July 1 through June 30 to October 1 through September 30. The proposed rates apply primarily to the flexibility-priced contracts.

Synopsis

The DCAA qualified its audit results pending receipt of the assist audits. The DCAA was unable to confirm the allowability of subcontract costs included in the submission. The DCAA indicated that the results of the assist audits are considered essential to the conclusion of this audit to the extent that additional costs may be questioned based on the results of the assist audits of claimed subcontract costs.

Claimed direct costs are provisionally approved pending final acceptance. The indirect rates are acceptable as proposed. The DCAA audit did not take exception to the contractor's proposed Cost of Money factors.



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The DCAA report was issued in September 2002; 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 the negotiations with the contractor based on the results of the DCAA report.

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.

