

**Agreed Upon Procedures for
TIRNO-96-D-00022**

July 2000

Reference Number: 2000-1C-108

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.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 24, 2000

MEMORANDUM FOR JAMES A. WILLIAMS
DIRECTOR OF 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: Agreed Upon Procedures for TIRNO-96-D-00022

In response to your request, the Defense Contract Audit Agency (DCAA) examined the direct labor and the indirect expense rates to determine the basis and reasonableness of the proposed rates. The report pertains only to the performance of agreed-upon procedures and does not reflect an audit. Accordingly, the DCAA does not express an opinion on the adequacy and compliance of the submitted cost or pricing data.

In summary, the DCAA took no exception to the proposed bare labor rates, fringe benefits or general and administration rates. However, the DCAA took exception to the proposed escalation rate. The DCAA believes that the contractor did not have sufficient data to establish a valid trend. Therefore, the DCAA used the escalation factor from Data Resource, Inc.

In addition, the contractor's accounting system and internal control policies and procedures are inadequate in part for the accumulation and reporting of costs under government contracts. This opinion is based on DCAA audits of the contractor's accounting, billing, and labor system. A determination regarding the findings in these reports has not been made.

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:

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 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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