

**Audit of Incurred Costs for  
Fiscal Year 2002**

**October 2003**

**Reference Number: 2004-1C-009**

**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

October 27, 2003

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

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

SUBJECT: Audit of Incurred Costs for Fiscal Year 2002  
(Audit #20041C0204)

The Defense Contract Audit Agency (DCAA) audited the contractor's compliance with requirements described in the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major Federal Government programs. The DCAA also audited the contractor's certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 2002 incurred costs. The purpose of the audit was to determine the allowability and allocability of direct and indirect costs that form the basis for negotiated indirect cost rates for the period ended September 30, 2002.

According to the DCAA, the contractor is a not-for-profit contractor and, therefore, falls under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The DCAA stated that the contractor complied in all material aspects with the requirements that are applicable to its research and development programs. The DCAA also indicated the contractor's indirect rates are acceptable as proposed. Additionally, claimed direct costs are provisionally approved pending final acceptance.

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.

*The TIGTA seal was removed due to its size.*