

**TIRNO-00-D-00012, TIRNO-95-D-00063, and  
TIRNO-95-D-00064, Supplemental Report on Audit  
of Incurred Costs for Fiscal Year 2001**

**February 2004**

**Reference Number: 2004-1C-047**

**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

February 10, 2004

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: TIRNO-00-D-00012, TIRNO-95-D00063, and  
TIRNO-95-D-00064, Supplemental Report on Audit of Incurred  
Costs for Fiscal Year 2001 (Audit #20041C0216)

The Defense Contract Audit Agency (DCAA) examined the contractor's August 5, 2002, certified final indirect cost rate proposal and related books and records for the reimbursement of Fiscal Year 2001 incurred costs. The purpose of the examination was to determine the allowability and allocability of direct and indirect costs and to establish audit-determined indirect cost rates for January 1, 2001, through December 31, 2002. The proposed rates apply primarily to flexibly priced contracts.

The DCAA stated that this supplemental report replaces its original report in its entirety and incorporates the results of the review of the contractor's additional supporting data that was missing during the initial examination. This report specifically addresses the unsupported/questioned costs reported previously.

The DCAA indicated that the contractor's indirect rates are acceptable as proposed. Additionally, claimed direct costs are acceptable and provisionally approved pending final acceptance. The DCAA qualified its audit report because the results of the assist audits for the subcontractor costs have not been received.

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.*