

**Audit of Adequacy and Compliance of
Disclosure Statement, Revision 14,
Effective January 1, 2004**

March 2004

Reference Number: 2004-1C-071

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

March 16, 2004

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 Adequacy and Compliance of Disclosure Statement,
Revision 14, Effective January 1, 2004 (Audit #20041C0222)

The Defense Contract Audit Agency (DCAA) examined the contractor's revised disclosure statement for its systems and services. The purpose of the examination was to determine whether the contractor's revised disclosure statement, effective January 1, 2004, adequately describes the cost accounting practices the contractor proposes to use in performing Federal Government contracts and whether the revised practices comply with applicable Cost Accounting Standards (CAS) and Federal Acquisition Regulation (FAR) Part 31.

The DCAA noted that the contractor converted to a PeopleSoft-based accounting system in January 2004. At this time, the DCAA is not aware of any inadequacies concerning this new system's accumulation, reporting, and billing of costs on Federal Government contracts. However, the DCAA qualified its audit report due to limited compliance testing that could be performed because of the contractor's accounting system conversion. According to the DCAA, future audits concerning accounting transactions posted subsequent to conversion of the accounting system may reveal instances of CAS noncompliance.

The DCAA indicated that, except for the qualification discussed above, the subject revision adequately describes the contractor's revised cost accounting practices. Additionally, the practices comply with applicable CAS and FAR Part 31 and are consistent with the contractor's actual practices.

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.

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