

**TIRNO-99-D-0005, Report on Compliance With  
Requirements Applicable to Major Programs and  
on Internal Control Over Compliance in  
Accordance With the Office of Management and  
Budget Circular A-133, Fiscal Year 2003**

**August 2004**

**Reference Number: 2004-1C-136**

**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

August 9, 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: TIRNO-99-D-0005, Report on Compliance With Requirements  
Applicable to Major Programs and on Internal Control Over  
Compliance in Accordance With the Office of Management and  
Budget Circular A-133, Fiscal Year 2003 (Audit #20041C0236)

The Defense Contract Audit Agency (DCAA) audited the contractor's compliance with the requirements described in the Office of Management and Budget Circular A-133 Compliance Supplement that are applicable to its major Federal Government programs. The DCAA also audited the contractor's January 8, 2004, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 2003 incurred costs. The purpose of the audit was to determine the allowability and allocability of direct and indirect costs and form the basis for negotiated indirect cost rates for the period ended October 5, 2003.

The DCAA questioned \$49,812 of overhead and \$89,234 of General and Administrative (G&A) costs. The Internal Revenue Service's (IRS) portion of the questioned costs were \$1,183 in overhead and \$4,336 in G&A costs. In addition, the DCAA reallocated \$211,990 of corporate G&A expenses to the sponsors. This resulted in an increased allocation to the IRS of \$159,076.

The DCAA noted claimed direct costs, subject to the qualification stated below, are provisionally approved pending final acceptance. The audit of direct costs disclosed no exceptions at this time.

The DCAA stated that another Federal Government audit organization has audit responsibility for the direct costs claimed on programs identified as Special Projects. The DCAA was able to evaluate the indirect costs applicable to this organization.

However, the DCAA was unable to satisfy itself as to the contractor's compliance with Circular A-133 requirements or the allowability of the direct costs. The DCAA qualified its audit report because results of the assist audits evaluating these costs had 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.*