

**Audit of Electronic Data Processing of
Accounts Payable Scanning System**

August 2004

Reference Number: 2004-1C-139

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 25, 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: Audit of Electronic Data Processing Accounts Payable Scanning
System (Audit #20041C0239)

The Defense Contract Audit Agency (DCAA) examined the contractor's accounts payable scanning system and related Electronic Data Processing (EDP) controls as of September 27, 2000. The purpose of the examination was to assure that the contractor's system is adequate to provide for the accuracy and reliability of the information being generated by the EDP scanning system.

The DCAA opined that the contractor's accounts payable scanning system and related EDP internal controls are inadequate in part. The DCAA examination disclosed the following deficiencies: lack of established formal written policy and procedure on the retention period of scanned images, and lack of a contingency plan. The DCAA indicated these deficiencies, if not corrected, decrease the integrity and the Government reliability on contract cost data processed by the system.

The contractor agrees with the findings and submitted a formal written procedure to the DCAA that addresses the retention period of scanned images. Additionally, the contractor submitted a copy of their Disaster Recovery Plan for the Document Imaging Department to the DCAA. The DCAA will perform a follow-up examination to determine whether the written procedure and the Disaster Recovery Plan are fully implemented and working effectively.

The DCAA examined only the accounts payable scanning system and related EDP internal controls. Accordingly, the DCAA expresses no opinion on the contractor's system of internal controls taken as a whole.

Although this DCAA report is dated November 2001, we did not receive a copy of the report until July 2004. Neither the Internal Revenue Service (IRS) nor the Treasury Inspector General for Tax Administration (TIGTA) are shown on the DCAA report distribution list. We are transmitting the report to you to assist in the management of the contract and to enable the IRS to track any financial accomplishments derived from negotiations with the contractor based on results from the DCAA report.

The information in this report should not be used for purposes other than those intended without prior consultation with the TIGTA 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.