

**Report on Audit of Facilities Utilization  
of Leased Space**

**August 2004**

**Reference Number: 2004-1C-162**

**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 31, 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: Report on Audit of Facilities Utilization of Leased Space  
(Audit #20041C0244)

The Defense Contract Audit Agency (DCAA) evaluated the contractor's Federal Sector management and utilization of leased facilities within Falls Church and Sterling, Virginia. The DCAA performed the audit to evaluate the effectiveness of the contractor's policies and practices in managing their facilities in an efficient and economical manner. The audit was conducted from March 2002 through August 2002 and covered contractor operations for the fiscal year ended March 31, 2003.

The DCAA opined that the contractor's Federal Sector has the opportunity to achieve an annual savings of approximately \$2.1 million allocable to Government contracts. The DCAA audit disclosed that there is an opportunity for the contractor to either eliminate or consolidate leased space at six of its facilities. According to the DCAA, the contractor should consider either terminating or restructuring the leases, if they can, or subleasing space not needed for the remainder of their leases.

The DCAA recommended that the contractor should define the size of office space per grade and incorporate this guideline into its formal policies and procedures as part of their books and records. Also, the contractor should develop and implement a corrective action plan to reduce the amount of rentable square feet at each of the locations.

The DCAA report was dated December 2002; however, we did not receive a copy of the report until August 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.*