

**Report on Audit of Compliance
With Cost Accounting Standard 416,
Accounting for Insurance Costs**

August 2004

Reference Number: 2004-1C-163

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 Compliance With Cost Accounting
Standard 416, Accounting for Insurance Costs
(Audit #20041C0245)

The Defense Contract Audit Agency (DCAA) performed an examination regarding the contractor's compliance with the Cost Accounting Standards (CAS) and the Federal Acquisition Regulation (FAR). The purpose of the examination was to determine whether the contractor complied with the requirements of CAS 416, Accounting for Insurance Costs, and any applicable FAR Part 31 requirements during the period January 1, 2003, through December 31, 2003.

The DCAA noted that the contractor converted to a PeopleSoft-based accounting system in January 2004. The DCAA is not aware of any inadequacies concerning the new system's accumulating, reporting, and billing costs on Government contracts. Furthermore, the DCAA indicated that prior to the accounting system change, the contractor's accounting system was considered adequate for Government accounting purposes.

The DCAA opined that the contractor complied, in all material respects, with the requirements of CAS 416, during the period January 1, 2003, through December 31, 2003.

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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