

**Follow-Up Audit of Cost Accounting Standard
409, Depreciation of Tangible Capital Assets**

September 2004

Reference Number: 2004-1C-181

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

September 27, 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: Follow-Up Audit of Cost Accounting Standard 409, Depreciation
of Tangible Capital Assets (Audit #20041C0249)

The Defense Contract Audit Agency (DCAA) performed a follow-up audit of the contractor's corrective actions regarding Cost Accounting Standard 409, Depreciation of Tangible Capital Assets, noncompliances. The DCAA performed the follow-up audit to evaluate the corrective actions the contractor has taken in response to initial audit recommendations contained in a previous audit report.¹

The DCAA opined that the contractor's corrective actions regarding the reported conditions are not adequate. According to the DCAA, the corrective actions planned in response to the previously disclosed conditions have not been implemented. This report is limited to the cited instances of noncompliance. Accordingly, the DCAA expresses no opinion whether other practices are proper, approved, or agreed for pricing proposals, accumulating costs, or reporting contractor performance data.

The DCAA indicated 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 of Government contract costs. Furthermore, the DCAA stated that prior to the accounting system change, the

¹ *Audit of Noncompliance With Cost Accounting Standard 409, Depreciation of Tangible Capital Assets* (Reference Number 2004-1C-180, dated September 2004).

contractor's accounting system was considered adequate for Government accounting purposes.

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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