

**Compensation System Audit**

**February 2005**

**Reference Number: 2005-1C-030**

**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

February 16, 2005

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script that reads "Daniel R. Devlin".

FROM: Daniel R. Devlin  
Assistant Inspector General for Audit (Headquarters Operations  
and Exempt Organizations Programs)

SUBJECT: Compensation System Audit  
(Audit #20051C0203)

The Defense Contract Audit Agency (DCAA) examined the contractor's compensation system as of April 30, 2003, to assure that the contractor's system of compensation controls is adequate to provide billed costs that are reasonable, compliant with applicable laws and regulations, and subject to applicable financial control systems. The examination was also used to evaluate the contractor's compliance with the system's internal control requirements.

The DCAA stated that the compensation system and related internal control policies and procedures of the contractor are adequate. The audit disclosed no employee benefit costs considered unreasonable under the Federal Government regulation. The DCAA examined only the compensation system. Accordingly, the DCAA expresses no opinion on the contractor's system of internal controls taken as a whole.

This DCAA report was issued in July 2003; however, the Treasury Inspector General for Tax Administration (TIGTA) did not receive the report until January 2005. The Internal Revenue Service (IRS) previously received a copy of the report directly from the DCAA. We are transmitting this report to you to enable the IRS to track any financial accomplishments derived from negotiations with the contractor based on the results of this 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.*