

**Report on Audit of Indirect and  
Other Direct Cost System**

**June 2005**

**Reference Number: 2005-1C-064**

**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

June 28, 2005

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 Indirect and Other Direct Cost System  
(Audit #20051C0219)

The Defense Contract Audit Agency (DCAA) examined the contractor's Federal Sector January 3, 2005, indirect and other direct cost system to assure the contractor's indirect and other direct cost system and related internal controls comply with applicable laws and regulations.

The DCAA qualified its report because of the contractor's policy not to provide internal audit reports and workpapers to the DCAA. Also, the DCAA stated the contractor's policy limits its ability to assess the effectiveness of the contractor's internal audit function in monitoring their organizational, accounting, and operational controls.

The DCAA opined that except for the qualification described above, the indirect cost and other direct cost system and related internal control policies and procedures of the Federal Sector are adequate. The DCAA examined only the indirect cost and other direct cost system. Accordingly, the DCAA expresses no opinion on the contractor's internal control taken as a whole.

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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