

**TIRNO-92-C-0014
Incurred Cost Audit for
Fiscal Year 2001**

July 2005

Reference Number: 2005-1C-065

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.

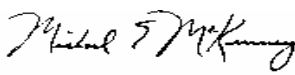


INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 7, 2005

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

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

SUBJECT: TIRNO-92-C-0014 Incurred Cost Audit for Fiscal Year 2001
(Audit # 20051C0220)

The Defense Contract Audit Agency (DCAA) examined the contractor's April 8, 2002, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year (FY) 2001 incurred costs. The purpose of the examination was to determine the allowability of direct and indirect costs and to establish audit-determined indirect cost rates for July 1, 2000, through June 30, 2001. The proposed rates apply primarily to the flexibly priced contracts.

For FY 2001, the DCAA considered the contractor's accounting system to be adequate for the accumulation, reporting, and billing of costs on Federal Government contracts. The DCAA also considered the internal controls adequate for the purchasing and estimating systems. However, according to the DCAA, the contractor's billing system is considered inadequate in part, but the deficiencies relate to late provisional billing rate submissions and did not affect this incurred cost audit.

The DCAA opined that the contractor's proposed indirect rates are acceptable as proposed. Also, claimed direct costs are acceptable and provisionally approved pending final acceptance. Additionally, the costs noted on the schedule of cumulative allowable costs represent costs that are considered allowable under each contract and are therefore reimbursable.

This DCAA report was issued on April 7, 2004; however, the Treasury Inspector General for Tax Administration (TIGTA) did not receive the report until May 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.

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