

**TIRNO-00-D-00018,  
TIRNO-99-D-00018, TIRNO-99-D-0001,  
TIRNO-02-K-00055, TIRNO-02-K-00051  
Incurred Cost Audit for  
Fiscal Year 2002**

**July 2005**

**Reference Number: 2005-1C-066**

**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 11, 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: TIRNO-00-D-00018, TIRNO-99-D-00018, TIRNO-99-D-0001,  
TIRNO-02-K-00055, TIRNO-02-K-00051 Incurred Cost Audit for  
Fiscal Year 2002 (Audit #20051C0221)

The Defense Contract Audit Agency (DCAA) examined the contractor's March 23, 2004, certified final indirect cost rate proposal and related books and records for the reimbursement of Fiscal Year (FY) 2002 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 FY 2002.

According to the DCAA, it was unable to complete the examination of subcontract labor cost pending a General Services Administration (GSA) contracting officer's decision on whether the contractor can bill the Government for subcontract labor at the contractor's GSA contract rates. The DCAA stated that on April 13, 2004, the Defense Finance and Accounting Service contracting officer requested a GSA decision on the interpretation of Federal Acquisition Regulation clause 52.232-7. As of the date of this report, the DCAA has not received the GSA contracting officer's decision. Also, the DCAA stated the decision is considered essential to the conclusion of this examination. Therefore, the audit results are qualified to the extent that additional costs may be questioned based on the GSA decision.

The DCAA opined that the contractor's indirect rates are acceptable as proposed. Additionally, claimed direct costs, except for the qualification discussed above, are acceptable as adjusted by the DCAA examination. Direct costs not questioned are provisionally approved pending final acceptance.

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.

*The TIGTA seal was removed due to its size.*