



*Incurred Costs Audit for Fiscal Year 2000
TIRNO-92-C-00014, TIRNO-92-C-0014,
TIRNO-99-R-0009, TIRNO-99-D-0001,
and TIR-92-0014*

September 2005

Reference Number: 2005-1C-114

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.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 12, 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: Incurred Costs Audit for Fiscal Year 2000 TIRNO-92-C-00014,
TIRNO-92-C-0014, TIRNO-99-R-0009, TIRNO-99-D-0001, and
TIR-92-0014 (Audit # 20051C0224)

The Defense Contract Audit Agency (DCAA) examined the contractor's August 30, 2001, certified final indirect cost proposal and related books and records for reimbursement of Fiscal Year 2000 incurred costs. The purpose of the examination was to determine allowability and allocability of direct and indirect costs and to recommend Contracting Officer-determined indirect cost rates for January 1, 2000, through December 29, 2000. The proposed rates apply primarily to the flexibly priced contracts.

The DCAA considers the contractor's accounting system to be adequate for accumulation, reporting, and billing of costs on Federal Government contracts. However, the DCAA qualified its audit report because results of the assist audits for the subcontract costs had not been received. The results of the assist audits may disclose additional questioned costs.

The DCAA stated the contractor's proposed indirect rates are not acceptable as proposed. Claimed direct costs are acceptable and provisionally approved pending final acceptance. The cost of money is acceptable as proposed. The DCAA believes the indirect costs questioned in this examination are subject to the penalties provided in Federal Acquisition Regulation 42.¹

¹ 48 C.F.R. pt 1-53 (2002).



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TIRNO-92-C0014, TIRNO-99-R-0009, TIRNO-99-D-0001, and
TIR-92-0014*

Although the audit report is dated September 2002, we did not receive a copy of the report until July 2005. The Internal Revenue Service (IRS) and the Treasury Inspector General for Tax Administration (TIGTA) are shown on the DCAA report distribution list; however, neither agency received the report, even though three IRS-administered contracts were included in the scope of the 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.

