



*Incurred Costs Audit for  
Fiscal Year Ending September 30, 2002*

**September 2005**

**Reference Number: 2005-1C-115**

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 14, 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 Ending September 30, 2002  
(Audit # 20051C0225)

The Defense Contract Audit Agency (DCAA) examined the contractor's March 3, 2003, certified final indirect cost proposal and related books and records for reimbursement of Fiscal Year 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 October 1, 2001, through September 30, 2002. The proposed rates apply primarily to the flexibly priced contracts.

The DCAA considers the contractor's accounting system adequate for the accumulation, reporting, and billing of costs on Federal Government contracts. According to the DCAA, the contractor claims exception from the practices required by the Cost Accounting Standards Board rules and regulations because the contractor considers itself a small business concern.

The DCAA stated that the contractor's proposed indirect rates are acceptable as proposed. Claimed direct costs are acceptable and provisionally approved pending final acceptance. The costs noted on the schedule of cumulative allowable costs represent costs that are considered allowable under the listed contracts and are therefore reimbursable.

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.



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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.

