



*Report on Audit of Compliance With Cost
Accounting Standard 404, Capitalization of
Tangible Assets*

September 2005

Reference Number: 2005-1C-171

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 29, 2005

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

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

SUBJECT: Report on Audit of Compliance With Cost Accounting Standard 404,
Capitalization of Tangible Assets (Audit # 20051C0237)

The Defense Contract Audit Agency (DCAA) examined the contractor's cost accounting practices to determine whether the contractor complied with the requirements of Cost Accounting Standard 404, Capitalization of Tangible Assets, and any applicable Federal Acquisition Regulation¹ Part 31 requirements during the period December 1, 2002, through November 30, 2003.

According to the DCAA, the contractor complied in all material respects with the requirements of Cost Accounting Standard 404 during the period December 1, 2002, through November 30, 2003. The DCAA also reported that the contractor's accounting system is adequate for the accumulation and reporting of costs under Federal Government contracts.

The DCAA audit report was dated December 2003; however, we did not receive a copy of the report until August 2005. Neither the Internal Revenue Service nor the Treasury Inspector General for Tax Administration is shown on the DCAA report distribution list. We are transmitting the report to you to assist in the management of the contract and to enable the

¹ 48 C.F.R. pt 1-53 (2002).



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Internal Revenue Service to track any financial accomplishments derived from negotiations with the contractor based on results from the DCAA report.

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.

