



*TIRNO-99-D-0005, Report on Compliance With Requirements Applicable to Major Programs and on Internal Control Over Compliance in Accordance With the Office of Management and Budget Circular A-133, Fiscal Year 2004*

**September 2005**

**Reference Number: 2005-1C-175**

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

*Daniel R. Devlin*

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

**SUBJECT:** TIRNO-99-D-0005, Report on Compliance With Requirements  
Applicable to Major Programs and on Internal Control Over  
Compliance in Accordance With the Office of Management and Budget  
Circular A-133, Fiscal Year 2004 (Audit # 20051C0241)

The Defense Contract Audit Agency (DCAA) audited the contractor's compliance with the requirements described in the Office of Management and Budget Circular A-133 Compliance Supplement that are applicable to its major Federal Government programs. The DCAA also audited the contractor's December 22, 2004, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 2004 incurred costs. The purpose of the audit was to determine the allowability and allocability of direct and indirect costs and to form the basis for negotiated indirect cost rates for the period ended October 3, 2004.

The DCAA questioned \$556,665 of overhead and \$91,833 of General and Administrative (G&A) costs. The Internal Revenue Service's portions of the questioned costs were \$59,168 in overhead and \$22,669 in G&A costs. According to the DCAA, the contractor did not accept the majority of the findings and recommendations with respect to the questioned costs. The DCAA recommended the contractor provide more training to its personnel emphasizing unreasonable costs per the Federal Acquisition Regulation<sup>1</sup> and applicable supplements.

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<sup>1</sup> 48 C.F.R. pt 1-53 (2002).



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The DCAA noted claimed direct costs, subject to the qualification stated below, are provisionally approved pending final acceptance. The audit of direct costs disclosed no exceptions at this time.

The DCAA stated that another Federal Government audit organization has audit responsibility for the direct costs claimed on programs identified as Special Projects. The DCAA was able to evaluate the indirect costs applicable to this organization.

However, the DCAA was unable to satisfy itself as to the contractor's compliance with Circular A-133 requirements or the allowability of the direct costs. The DCAA qualified its audit report because results of the assist audits evaluating these costs had not been received.

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.

