

**Report on Outstanding  
Estimating System Deficiencies**

**March 2003**

**Reference Number: 2003-1C-059**

**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

March 4, 2003

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 Outstanding Estimating System Deficiencies  
(Audit #200310002.023)

The Defense Contract Audit Agency (DCAA) reviewed the contractor's Civil Group's Estimating System policies and procedures from April 1, 2002, through June 10, 2002. The DCAA also reviewed the revised Civil Group Estimating System Manual dated July 1, 2002. The DCAA determined that 14 of the 18 previously cited deficiencies related to specific policies and procedures in the Estimating System Manual have been adequately corrected.

For the four outstanding deficiencies, the DCAA recommends that the contractor's Civil Group:

- Develop a written policy for uncompensated overtime, and include this policy with all proposals per Federal Acquisition Regulation 52.237-10.
- Make previously agreed-upon corrections to the Civil Group's Estimating System Manual regarding indirect rates.
- Describe the pool and base costs within the Subcontractor Facility Rate in the Civil Group's Estimating System Manual. The contractor should clearly state that the Subcontractor Facility Rate is a dollar amount per hour and not a percent, and that the costs are proposed as an Other Direct Cost.

- Make some additional changes to the Program Management Organization (PMO) correction to clearly dictate that the estimators should base their proposed PMO rates on historical rates, and use a bottoms-up approach only if the historical rates are not available. Additionally, the Estimating System Manual should describe where the estimator obtains the historical PMO costs and who is responsible for maintaining and monitoring the actual PMO costs.

This DCAA report was issued in July 2002, however, the Treasury Inspector General for Tax Administration (TIGTA) did not receive the report until February 2003. The Internal Revenue Service (IRS) previously received a copy of the report directly from the DCAA. We are transmitting the report to you to enable the IRS to track any financial accomplishments derived from negotiations with the contractor based on the results of this DCAA report.

The information in this report should not be used for purposes other than that intended without prior consultation with the TIGTA regarding its 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 USC 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.*