



*Report on Audit of Forward Pricing  
Indirect Rates for Fiscal Years 2005  
Through 2008*

**September 2005**

**Reference Number: 2005-1C-169**

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:** Report on Audit of Forward Pricing Indirect Rates for Fiscal Years  
2005 Through 2008 (Audit # 20051C0235)

The Defense Contract Audit Agency (DCAA) examined the contractor's July 1, 2004, forward pricing indirect rate proposal for Fiscal Years 2005 through 2008. The purpose of the examination was to determine whether the proposed forward pricing rates are reasonable.

According to the DCAA, the contractor submitted adequate cost or pricing data. The proposals were prepared in accordance with applicable Cost Accounting Standards and provisions of the different Federal Government regulations. The DCAA considers the proposals acceptable as a basis for negotiating Fiscal Years 2005 through 2008 indirect rates to be used for forward pricing purposes.

According to the DCAA, the contractor's accounting system is considered adequate for accumulating, reporting, and billing of costs on Federal Government contracts. Also, according to the DCAA, the contractor's estimating system is considered adequate to ensure the forward pricing rates are based on accurate, complete, and current cost or pricing data.

The DCAA audit report was dated August 2004; however, we did not receive a copy of the report until August 2005. The Treasury Inspector General for Tax Administration is not 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 Internal Revenue Service to track any financial



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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.

