



Treasury Inspector General for Tax Administration

INVOICE AUDIT OF THE FINANCIAL STATEMENT/GOVERNMENT ACCOUNTABILITY OFFICE AUDIT SUPPORT SERVICES CONTRACT – TIRNO-03-K-00167

Issued on April 23, 2007

Highlights

Highlights of Report Number: 2007-10-069 to the Internal Revenue Service Chief, Agency-Wide Shared Services.

IMPACT ON TAXPAYERS

Contract expenditures represent a significant outlay of Internal Revenue Service (IRS) funds. TIGTA has made a commitment to perform audits of these expenditures. To the extent our reviews assist the IRS in identifying and recovering inaccurate, unsupported, and unallowable charges, contract expenditures are reduced and taxpayer funds are saved.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether selected invoices submitted and paid under contract number TIRNO-03-K-00167 were appropriate and in accordance with the contract's terms and conditions.

The purpose of our audit was to answer the following questions:

1. What is the process the IRS established for invoice verification prior to certifying payment to the contractor?
2. Were the invoice charges submitted by the contractor and paid by the IRS accurate, supported, and allowable?
3. Were the deliverables obtained through the contract acceptable as stipulated in the contract?

WHAT TIGTA FOUND

TIGTA identified questionable charges of \$744,340.78 because the contractor did not provide the necessary documentation to support that the charges were accurate and allocable to the contract. The details of these questionable charges were provided to the IRS and contractor personnel in June 2006, October 2006, and December 2006. It was not until after the questionable charges were presented in a January 2007 discussion draft report that the IRS provided adequate

documentation to support all but \$22,536.21 of the questionable labor charges.

The IRS did not have a complete invoice verification process established, especially in the area of documenting the verification of support for billed labor and travel charges. During the period when these charges were invoiced by the contractor, the IRS did not review, as part of its invoice verification process, any source documents such as contractor-provided payroll or related payment records to confirm labor charges or receipts to confirm travel charges.

TIGTA believes the initial identification of the unsupported labor and travel charges was directly related to the incomplete invoice verification process. If the IRS was periodically or routinely requiring the contractor to provide such documentation, the contractor would have been able to react in the same manner to our requests for support.

This contract was designed to provide professional financial and accounting services to assist the IRS in preparing its annual financial statements and in the resolution of material weaknesses and other issues identified in audits of those financial statements. During the review, nothing came to our attention that would lead us to believe there were significant problems with contractor performance or any of the deliverables associated with the invoices included in our tests.

WHAT TIGTA RECOMMENDED

The Director, Procurement, should require the appropriate Contracting Officer to review the identified questionable charges of \$22,536.21 and initiate any recovery actions deemed warranted.

In their response to the report, IRS officials stated they agreed with our recommendation. The Contracting Officer is working closely with the contractor to obtain additional documentation. Upon receipt of the supporting documentation, the Contracting Officer will conduct a thorough analysis, determine the amount of any recoverable costs, and initiate the appropriate action to recover those costs.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200710069fr.pdf>.