

**Report on Adequacy and Compliance
of Revised Disclosure Statement,
Dated August 3, 2001**

January 2002

Reference Number: 2002-1C-049

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

January 31, 2002

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

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Report on Adequacy and Compliance of Revised Disclosure
Statement, Dated August 3, 2001 (Audit #200210002.019)

In response to your request, the Defense Contract Audit Agency (DCAA) examined the contractor's Information Processing Services' (IPS) revised disclosure statement dated August 3, 2001, effective April 26, 2001. The purpose of the examination was to determine whether the contractor's IPS' revised disclosure statement, dated August 3, 2001, adequately describes the cost accounting practices which the contractor proposes to use in performing government contracts, and whether the revised practices comply with applicable Cost Accounting Standards (CAS) and government regulations. In addition, the DCAA evaluated the consistency of the revised cost accounting practices with actual practices.

The DCAA noted that with the exception of suggested improvements from its previous audit (May 2000), the subject revision adequately describes the contractor's revised cost accounting practices. However, the DCAA identified a disclosed practice, which the DCAA believes is in noncompliance with CAS 410 "Allocation of Business Unit General & Administrative (G&A) Expenses to Final Cost Objectives." This noncompliance, related to exclusion of Non-Contract Support Authorization (NCSA) costs, has been reported in a prior audit report, dated September 26, 1995.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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.

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