

**Audit of Adequacy and Compliance
of Disclosure Statement Revision 13,
Dated April 2, 2003; Effective January 1, 2003**

July 2003

Reference Number: 2003-1C-144

**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

July 2, 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: Audit of Adequacy and Compliance of Disclosure Statement
Revision 13, Dated April 2, 2003; Effective January 1, 2003
(Audit #200310002.035)

The Defense Contract Audit Agency (DCAA) examined the contractor's revised disclosure statement, Revision 13, dated April 2, 2003. The purpose of the examination was to determine whether the contractor's revised disclosure statement dated April 2, 2003, adequately described the cost accounting practices that the contractor proposes to use in performing Government contracts and whether the revised practices comply with applicable Cost Accounting Standards and Federal Acquisition Regulation (FAR) Part 31. The DCAA also evaluated the contractor's consistency of revised cost accounting practices with actual practices.

The DCAA examination disclosed that the contractor's revised disclosure statement does not adequately describe the contractor's current cost accounting practices. The DCAA indicated that the contractor's revised disclosure statement also reflects a change in accounting practice and incorporates a number of administrative changes.

Additionally, the DCAA stated that due to the contractor's inadequate descriptions of accounting practices and accounting treatment concerning the acquired entities, the DCAA is currently unable to determine whether the contractor's practices comply with applicable Cost Accounting Practices and FAR Part 31. The DCAA recommends that the contractor be requested to submit a revised disclosure statement.

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) 622-8500 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.

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