



Treasury Inspector General for Tax Administration Office of Audit

PROCUREMENT AUDIT RESULTS INDICATE PROBLEMS CONTINUE TO EXIST AFTER CORRECTIVE ACTIONS WERE IMPLEMENTED

Issued on September 14, 2010

Highlights

Highlights of Report Number: 2010-10-088 to the Internal Revenue Service Chief of Agency-Wide Shared Services.

IMPACT ON TAXPAYERS

As of March 15, 2010, the Internal Revenue Service's (IRS) Office of Procurement was responsible for administering 839 procurements with a value of approximately \$48 billion over the life of the procurements. TIGTA has conducted a number of acquisition audits and found that there were concerns with the procurement process. While the IRS took corrective actions to address many of the findings when the TIGTA reports were originally issued, TIGTA has continued to find recurring problems. Until the IRS implements effective internal controls, it will be unable to provide assurance that the Federal Government is receiving the best value for procurements or that contractors are meeting the procurements' terms and conditions to deliver goods or services.

WHY TIGTA DID THE AUDIT

This audit was initiated to identify and categorize IRS acquisition findings identified in TIGTA audit reports issued from Fiscal Year 1999 through June 2009. This report also presents a high-level overview to provide IRS management with the ongoing risks that may affect its current and future procurements.

WHAT TIGTA FOUND

Based on our analysis of 74 TIGTA audit reports conducted over an approximate 10-year period, TIGTA found that there were several problems that continued to exist even after corrective actions were taken by the IRS. This resulted in TIGTA issuing repeat recommendations in many of these areas. For example, in two different audit reports issued in Fiscal Year 2002, TIGTA recommended that the IRS use performance-based procurements and firm fixed-price procurements whenever possible. Subsequent to these reports, TIGTA issued several additional reports containing similar recommendations.

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TIGTA also identified trends where the IRS did not have sufficient monitoring controls or processes to ensure contractors were meeting the procurements' terms and conditions; contractors did not provide adequate documentation to support invoice charges; invoices included unallowable labor, travel, or maintenance charges; and modernization contracts failed to achieve their objectives or intended benefits. One of the most common recurring issues was the need for improved monitoring by the Office of Procurement's Contracting Officers and the program offices' Contracting Officer's Technical Representatives.

Collectively, these trends are a concern because they indicate that the IRS continued to use inadequate controls, processes, and practices to award and monitor procurements during this 10-year period. The IRS Office of Procurement advised us it has started new initiatives that address some of the issues and trends that are presented in this report. In addition, the IRS needs to improve the control environment to reduce the risk of similar problems in the future. TIGTA believes it is critical that the IRS include prior audit findings and recommendations as part of its overall annual risk assessment for acquisitions to ensure that the necessary internal controls are implemented and are working effectively.

WHAT TIGTA RECOMMENDED

TIGTA did not make recommendations in this report. In their response to the report, IRS officials agreed that increasing both performance-based and firm fixed-price contracting has been challenging over the past 10 years, but added that the IRS has made significant progress in both of these areas and has identified several new initiatives to address other trends. IRS officials stated that had TIGTA performed an analysis of corrective actions implemented in response to past audit reports, the report would more accurately reflect the progress the IRS has made.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201010088fr.pdf>

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