



Office of Audit

Treasury
Inspector
General for Tax
Administration



Recovery Act

WHAT TIGTA FOUND

TIGTA determined that there were several repeat findings or concerns that are relevant to procurements funded by the Recovery Act. The most prevalent trends identified were the recommendations that the IRS use performance-based contracts and fixed-price contracts whenever possible.

TIGTA also identified trends where the IRS did not have sufficient monitoring controls or processes to ensure contractors were meeting the procurement's terms and conditions, the IRS did not ensure funding was properly controlled and project costs were not always charged to the appropriate accounting code, and modernization contracts failed to achieve their objectives or intended benefits.

The IRS took corrective actions at the time the original reports were issued to address many of the issues identified in the reports reviewed. The IRS appears to have mitigated risks associated with performance-based contracts. However, if contract oversight is not operating effectively, IRS Recovery Act procurements are at risk that goods and services will not meet Federal Government needs at the price and other contract requirements agreed upon. In addition, when fixed-price contract types are not used, generally there is an increased risk to the Federal Government that the contract costs are not adequately controlled.

In their response to the prior trending report, IRS officials agreed that addressing the two prevalent trends has been challenging but they have made significant progress and have identified new initiatives to address other trends. IRS officials stated that had TIGTA performed an analysis of corrective actions implemented, the prior report would more accurately reflect the progress the IRS has made.

WHAT TIGTA RECOMMENDED

TIGTA did not make any recommendations in this report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201011102fr.pdf>.

PREVIOUSLY REPORTED ACQUISITION CONCERNS THAT ARE RELEVANT TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 PROCUREMENTS

Issued on September 15, 2010

Highlights

Highlights of Report Number: 2010-11-102 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) received an appropriation of \$203 million in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. TIGTA analysis of acquisitions audits conducted from Fiscal Year 1999 to June 2009 showed that while the IRS has taken steps to address the concerns identified in those audits, recurring problems exist which may put procurements funded by the Recovery Act at risk. Until the IRS implements effective internal controls, it will be unable to provide assurance that the Federal Government is receiving the best value for its Recovery Act procurements and/or that contractors are meeting the procurements' terms and conditions to deliver goods or services.

WHY TIGTA DID THE AUDIT

The Office of Management and Budget supplemental guidance for the Recovery Act requires Federal agencies to determine whether final action has been taken regarding weaknesses or deficiencies disclosed by prior audits and investigations in program areas under which Recovery Act funds are authorized. The guidance also requires that Recovery Act contracts be fixed-price to the maximum extent possible, acquisitions result in meaningful and measurable outcomes, and contracts receive the appropriate oversight to ensure that contract goals are met. The overall objective of this review was to provide observations regarding the applicable procurement findings identified during a prior TIGTA audit which evaluated trends identified from TIGTA audits of IRS procurements from Fiscal Year 1999 to June 2009 that present a risk for procurements funded under the Recovery Act.

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