TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Processes for Determining Whether to Lease or Purchase Computer Equipment Need to Be Improved

August 10, 2007

Reference Number: 2007-20-120

Phone Number | 202-927-7037
Email Address | Bonnie.Heald@tigta.treas.gov
Web Site | http://www.tigta.gov

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 10, 2007

MEMORANDUM FOR CHIEF, AGENCY-WIDE SHARED SERVICES
CHIEF INFORMATION OFFICER

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Processes for Determining Whether to Lease or Purchase Computer Equipment Need to Be Improved (Audit # 200720009)

This report presents the results of our review of the Internal Revenue Service's (IRS) decisions to lease or purchase computer equipment. The overall objective of this review was to determine whether the IRS had adequate internal controls in place to decide whether to lease or purchase computer equipment. This review was part of the Treasury Inspector General for Tax Administration's Fiscal Year 2007 Information Systems Programs audit plan for reviews on using performance and financial information for program and budget decisions.

Impact on the Taxpayer

Lease contract files did not contain complete information to conduct a lease versus purchase analysis. When all lease versus purchase requirements are not considered and documented, it is difficult for IRS executives to make an informed decision on whether to lease or purchase computer equipment and taxpayer funds may not be spent wisely.

Synopsis

The IRS has over 100,000 employees, many of whom use computers to perform their jobs. It spends millions of dollars to purchase and lease computer equipment to process tax records and to assist employees in performing their jobs. According to the IRS' latest financial statements, it has approximately $1.7 billion in computer equipment inventory, consisting of mainframe computers, minicomputers, servers, desktop and laptop computers, and telecommunications equipment.[1] The IRS purchases the majority of its computer equipment; however, it also acquires computer equipment using leases, when appropriate. As of December 2006, the IRS had 4 open computer equipment leases costing approximately $53 million through Fiscal Year 2010.

The Federal Acquisition Regulation[2] requires agencies to consider whether to lease or purchase equipment based on a case-by-case evaluation of comparative costs and other factors. The IRS considered certain Federal Acquisition Regulation requirements when determining whether to lease or purchase computer equipment in each lease we reviewed. For example, purchase options were considered as well as rental and maintenance costs over the life of the lease. However, the lease contract files did not contain a well-documented cost/benefit analysis or complete information to conduct a lease versus purchase analysis. When all requirements are not considered and documented, it is difficult for IRS executives to make an informed decision on whether to lease or purchase computer equipment. For example, one contract file shows the lease payments over the term of one lease exceeded the purchase price at the inception of the lease by about $1.1 million, indicating a purchase would have been more economical to the IRS.

In addition, one lease contract file did not contain sufficient documentation to accurately determine or explain adjustments to lease costs when the IRS processed modifications to the contract. For example, one of the contractor quotes specifically cross-referenced in a contract modification was $315,537 lower than the price shown on the contract modification, indicating the IRS paid more for computer equipment than what was quoted by the contractor.

Recommendations

To ensure IRS management has all required information prior to making a lease versus purchase decision, we recommended the Chief Information Officer and the Chief, Agency-Wide Shared Services, work together to develop and implement a complete process to ensure all factors in the Federal Acquisition Regulation are considered and documented. To ensure the IRS has not overpaid or underpaid the contractor, we recommended the Chief, Agency-Wide Shared Services, perform a quality review of one lease contract.

Response

IRS management agreed with our recommendations. To ensure IRS management has all required information prior to making a lease versus purchase decision, the Office of Procurement will update two Policy and Procedure Memoranda. The updates will include references to the

[1] *Financial Audit: IRS's Fiscal Years 2006 and 2005 Financial Statements* (GAO-07-136, dated November 2006).
[2] 48 C.F.R. Section 7.4 (Amended March 2007). See Appendix V for a glossary of terms.

applicable Federal Acquisition Regulation requirements, such as a cost/benefit analysis, and a requirement to ensure input, coordination, and consensus is obtained from the Chief Information Officer regarding the lease/purchase decision prior to coordination with the Chief Financial Officer. In conjunction with the policy updates, the Office of Procurement will also conduct training to ensure a complete understanding of the new requirements. In addition, the Chief Information Officer will issue a directive requiring purchasers of IRS computer equipment to fully comply with the requirements outlined in the two Office of Procurement memoranda.

To ensure the IRS has not overpaid or underpaid a contractor, the Contracting Officer is working closely with the contractor to obtain additional supporting documentation. Upon receipt of the documentation, the Contracting Officer will perform a thorough analysis to determine whether the IRS has underpaid or overpaid the contractor and will initiate appropriate actions as determined necessary. Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

Table of Contents

Abbreviations

IRS	Internal Revenue Service

Background

The Internal Revenue Service (IRS) has over 100,000 employees, many of whom use computers to perform their jobs. It spends millions of dollars to purchase and lease computer equipment to process tax records and to assist employees in performing their jobs. The Chief Information Officer is responsible for ownership, management, and control of all IRS computer equipment.

According to the IRS' latest financial statements, it has approximately $1.7 billion in computer equipment inventory, consisting of mainframe computers, minicomputers, servers, desktop and laptop computers, and telecommunications equipment.[1] The IRS purchases the majority of its computer equipment; however, it also acquires computer equipment using leases, when appropriate. As of December 2006, the IRS had 4 open computer equipment leases costing approximately $53 million through Fiscal Year 2010.[2] Table 1 provides a list of the open IRS computer equipment leases.

Table 1: Open Computer Equipment Leases

Computer Equipment Type	Lease Agreement Amount
Mid-range Computer Storage Equipment	$25.6 million
Mainframe Storage Equipment	$3.1 million
Mainframe Storage Equipment	$5.2 million
Telecommunications Equipment	$19.3 million
Total	**$53.2 million**

Source: IRS documents on all four open computer equipment leases as of December 2006.

The Federal Acquisition Regulation[3] requires that, prior to leasing or purchasing equipment, agencies consider whether to lease or purchase equipment based on a case-by-case evaluation of comparative costs and other factors, such as whether the cumulative leasing costs will exceed the purchase cost and the advantages of using alternative types and makes of equipment.[4] The Office of Management and Budget also provides guidance that agencies must follow in comparing the costs to lease and purchase computer equipment. In addition, best practices suggested by private industry indicate a lease versus purchase analysis provides for more

[1] *Financial Audit: IRS's Fiscal Years 2006 and 2005 Financial Statements* (GAO-07-136, dated November 2006).
[2] Information obtained from IRS lease information on all four open computer equipment lease contracts as of December 2006. We did not verify the accuracy of this information.
[3] See Appendix V for a glossary of terms.
[4] 48 C.F.R. Section 7.4 (Amended March 2007).

well-informed decision making. The factors often considered by private industry align with those provided for in the Federal Acquisition Regulation.

This review was performed at the Modernization and Information Technology Services organization facilities in New Carrollton, Maryland, and the Office of Procurement facilities in Oxon Hill, Maryland, during the period October 2006 through March 2007. We communicated the interim results of our review and suggestions for improvement to Modernization and Information Technology Services organization and Office of Procurement officials on March 26, 2007. Any changes that have occurred since we concluded our analyses are not reflected in this report. As a result, this report may not reflect the most current status of lease and purchase practices within the IRS. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Results of Review

Certain Lease Versus Purchase Factors Were Consistently Considered and Improvements Are Being Made

The IRS considered certain Federal Acquisition Regulation requirements[5] when determining whether to lease or purchase computer equipment in each of the four leases we reviewed. For example, purchase options were considered as well as rental and maintenance costs over the life of the lease.

The IRS also is considering whether to lease or purchase desktop and laptop computers in Fiscal Year 2008. An IRS task force has developed a draft Statement of Objectives, which will be issued to vendors seeking their proposals for providing the computer equipment. Task force officials informed us they are aware of the Federal Acquisition Regulation requirements concerning lease versus purchase decisions and will consider these requirements as they proceed.

In addition, the IRS corrected the Information Technology Assets Management System, an inventory system used to account for computer equipment, to identify its leased computer storage equipment. When we initially received an inventory report from the IRS, the report did not show all leased computer storage equipment. The IRS subsequently determined the storage equipment and costs had been misclassified as purchased equipment in the Information Technology Assets Management System. The IRS stated the approximate cost of the misclassified storage equipment was $33.9 million.[6]

All Elements of Compliance With Lease Versus Purchase Requirements Were Not Documented

As discussed previously, the Federal Acquisition Regulation requires agencies to consider whether to lease or purchase equipment based on a cost/benefit analysis and an analysis of other factors. The four open lease contract files we reviewed did not contain a well-documented cost/benefit analysis or complete information to conduct a lease versus purchase analysis as required. Specifically, the following Federal Acquisition Regulation requirements were not consistently documented in the contract files:

- The **estimate of the useful life for equipment** was not documented in any of the contract files. Useful life refers to how long the equipment will be used in the business. The

[5] 48 C.F.R. Section 7.4 (Amended March 2007).
[6] See Appendix IV for details.

longer an organization intends to use a piece of equipment, the more advantageous it is to purchase it.

- The **estimate of trade-in or salvage value**, if any, was not documented in any of the contract files. This is the amount an organization would receive if it trades the equipment or sells the equipment at the end of the lease term or useful life. The overall cost of a piece of computer equipment is decreased by the trade-in or salvage value.
- The **end-of-lease purchase price or a formula to calculate the purchase price** was documented in only one of the four leases. The lease agreement should contain the purchase price of the equipment or provide a formula that could be used to calculate the purchase price at the end of the lease. If an organization wishes to keep equipment beyond the lease term, the overall cost of the equipment would be increased by the purchase price at the end of the lease term.
- **Consideration of the potential the equipment may become out of date because of imminent technological improvements** was documented in only one of the four contract files. Market research can reveal technological advances for the computer equipment. If equipment will become obsolete in the very near future, it may need to be replaced quickly. Therefore, a lease may be more advantageous than a purchase of the same equipment.
- **Analysis of the financial and operating advantages of alternative types and makes of equipment** was documented in only two of the four contract files. Market research can provide data showing the advantages of different computer equipment. This provides another factor for management to use in deciding whether leasing or purchasing the computer equipment is more advantageous.
- **Contractor price quotes** were either missing or incomplete in two of the four contract files. Price quotes from contractors are needed to independently determine the lease costs and purchase prices of the equipment.

When all requirements are not considered and documented, it is difficult for IRS executives to make an informed decision on whether to lease or purchase computer equipment and taxpayer funds may not be spent wisely. Although missing elements of the lease versus purchase analysis and lack of supporting documentation make reaching conclusions difficult, one contract file shows the lease payments over the term of one lease exceeded the purchase price at the inception of the lease by about $1.1 million, indicating a purchase would have been more economical to the IRS.[7]

We believe all the requirements were not considered and documented because the IRS does not have a defined process for gathering and analyzing information to make a well-informed lease

[7] See Appendix IV for details.

versus purchase decision. For example, there were no Internal Revenue Manual guidelines or other procedures that provide detailed requirements for determining whether to lease or purchase computer equipment.

Management Action: On January 1, 2007, the Office of Procurement issued to procurement personnel a revised memorandum that addresses part of the Federal Acquisition Regulation requirements for making a lease versus purchase decision; however, the memorandum does not address all of the Federal Acquisition Regulation requirements.

Recommendation

Improving lease versus purchase controls to assist in making well-informed decisions will be especially timely. According to recent testimony by the IRS Commissioner, "The FY [Fiscal Year] 2008 Budget requests $81 million to improve the IRS' information technology infrastructure."

Recommendation 1: To ensure IRS management has all required information prior to making a lease versus purchase decision, the Chief Information Officer and the Chief, Agency-Wide Shared Services, should work together to develop and implement a complete process to ensure all factors in the Federal Acquisition Regulation are considered and documented in the contract file when making a lease versus purchase decision.

Management's Response: IRS management agreed with the recommendation. To ensure IRS management has all required information prior to making a lease versus purchase decision, the Office of Procurement will update two Policy and Procedure Memoranda. Policy and Procedure Memorandum 7.1, Acquisition Planning, will be updated to include a requirement to address lease/purchase decisions in the acquisition plan and to reference the applicable Federal Acquisition Regulation requirements, such as a cost/benefit analysis. Policy and Procedure Memorandum 7.4, Planning, Acquiring and Managing Equipment and Software, will be revised to ensure input, coordination, and consensus is obtained from the Chief Information Officer regarding the lease/purchase decision prior to coordination with the Chief Financial Officer. In conjunction with the policy updates, the Office of Procurement will conduct training to ensure a complete understanding of the new requirements.

The Chief Information Officer will issue a directive requiring purchasers of IRS computer equipment to fully comply with the requirements outlined in Office of Procurement Policy and Procedure Memoranda 7.1 and 7.4. This directive will also include references to the applicable Federal Acquisition Regulation requirements, such as a cost/benefit analysis.

Accounting for Costs in One Lease Does Not Appear Accurate

Office of Management and Budget Circular A-123, Management Accountability and Controls, states agencies should establish and maintain adequate systems of internal controls to provide reasonable assurance that Federal Government resources are protected from fraud, waste, mismanagement, or misappropriation. Thus, a good system of internal control requires the Office of Procurement to maintain contract files that are complete and accurately identify the cost of leased computer equipment.

A contract modification may be processed after the initial contract is signed. The modification may adjust the cost of the lease, add or remove leased equipment from the lease, or be just an administrative change that does not affect either the equipment or the costs. In one lease, the contract file did not contain sufficient documentation to accurately determine or explain adjustments to lease costs when the IRS processed modifications to the contract. For example, the ending cost on one contract modification was $389,368 more than the beginning cost on the next contract modification. Within the same lease, one of the contractor quotes specifically cross-referenced in a contract modification was $315,537 lower than the price shown on the contract modification.[8] Therefore, Office of Procurement internal controls did not ensure accurate contract lease cost information was maintained in the contract file and, as a result, the IRS may have overpaid or underpaid the contractor.

Recommendation

Recommendation 2: To ensure the IRS has not overpaid or underpaid the contractor, the Chief, Agency-Wide Shared Services, should perform a quality review of lease contract number TIRNO-00Z-00008 (delivery orders 0329, 0538, and 0573).

> ***Management's Response:*** IRS management agreed with the recommendation. To ensure the IRS has not overpaid or underpaid the contractor, the Contracting Officer is working closely with the contractor to obtain additional supporting documentation. Upon receipt of the documentation, the Contracting Officer will perform a thorough analysis to determine whether the IRS has underpaid or overpaid the contractor and will initiate appropriate actions as determined necessary.

---

[8] See Appendix IV for details.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS had adequate internal controls in place to decide whether to lease or purchase computer equipment. To accomplish the audit objective, we:

I. Reviewed all four open computer equipment leases to determine whether computer equipment was leased or purchased economically, in accordance with the Federal Acquisition Regulation.[1]

   A. Determined whether a cost/benefit analysis was performed.

   B. Reviewed Office of Procurement contract files to determine whether lease documentation was maintained as required.

II. Determined whether the Information Technology Assets Management System had been updated to ensure leased computer equipment was accurately recorded as leased equipment rather than purchased equipment.

   A. Obtained the Information Technology Assets Management System report containing the inventory of leased computer equipment.[2]

   B. Discussed the process of updating the System to identify the leased computer equipment with IRS personnel.

III. Determined the status of the new process for leasing desktop and laptop computer equipment being developed by the Deputy Chief Information Officer.

   A. Obtained the current Statement of Objectives.

   B. Discussed the status of development of the new process with IRS personnel.

[1] See Appendix V for a glossary of terms.
[2] We ensured the types of equipment the IRS stated it leased were represented on the report. Otherwise, we did not verify the accuracy of this information.

Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs)
Gary V. Hinkle, Director
Troy D. Paterson, Audit Manager
James A. Douglas, Acting Audit Manager
Phung-Son Nguyen, Acting Audit Manager
Wallace C. Sims, Lead Auditor
Olivia H. DeBerry, Auditor

Appendix III

Report Distribution List

Acting Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Associate Chief Information Officer, End User Equipment and Services OS:CIO:EU
Associate Chief Information Officer, Enterprise Networks OS:CIO:EN
Associate Chief Information Officer, Enterprise Operations OS:CIO:EO
Director, Procurement OS:A:P
Director, Stakeholder Management OS:CIO:SM
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:

- Associate Chief Information Officer, End User Equipment and Services OS:CIO:EU
- Associate Chief Information Officer, Enterprise Networks OS:CIO:EN
- Associate Chief Information Officer, Enterprise Operations OS:CIO:EO
- Director, Procurement OS:A:P
- Director, Program Oversight Office OS:CIO:SM:PO

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; $33.9 million (see page 3).

Methodology Used to Measure the Reported Benefit:

During the audit, we requested that the IRS identify all types of computer equipment leased by the Modernization and Information Technology Services organization. When we received an inventory report from the IRS, the report did not show any leased computer storage equipment. The IRS subsequently determined the storage equipment and costs had been misclassified as purchased equipment in the Information Technology Assets Management System.[1] It stated the approximate cost of the misclassified storage equipment was $33.9 million.[2] Subsequently, the IRS corrected the Information Technology Assets Management System to show the storage equipment was leased and not purchased.

Type and Value of Outcome Measure:

- Inefficient Use of Resources – Actual; $1.1 million (see page 3).

Methodology Used to Measure the Reported Benefit:

We reviewed all four open leases for computer equipment leased by the Modernization and Information Technology Services organization. According to contract file documentation, the lease payments over the term of one lease exceeded the purchase price at the inception of the lease by about $1.1 million,[3] indicating a purchase would have been more economical to the IRS.

---

[1] See Appendix V for a glossary of terms.
[2] Information obtained from the Modernization and Information Technology Services organization. We did not verify the accuracy of this information.
[3] Information obtained from an IRS Office of Procurement contract file. We did not verify the accuracy of this information.

Type and Value of Outcome Measure:

- Cost Savings, Questioned Costs – Actual; $315,537 (see page 6).

Methodology Used to Measure the Reported Benefit:

After we advised the Office of Procurement that some contract modifications were not supported by contractor price quotes, it provided several contractor price quotes to support the modifications. However, one of the contractor quotes specifically cross-referenced in a contract modification was $315,537 lower than the price shown on the contract modification, indicating the IRS paid more for computer equipment than what was quoted by the contractor.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; $389,368 (see page 6).

Methodology Used to Measure the Reported Benefit:

In one lease, the contract file did not contain sufficient documentation to accurately determine or explain adjustments to lease costs when the IRS processed modifications to the contract. For example, the ending cost on one contract modification was $389,368 more than the beginning cost on the next contract modification.

Appendix V

Glossary of Terms

Term	Definition
Best Practice	A best practice is a technique or methodology that, through experience and research, has proven to reliably lead to a desired result.
Federal Acquisition Regulation	The Federal Acquisition Regulation is established for the codification and publication of uniform policies and procedures for acquisitions by all executive branch agencies.
Information Technology Assets Management System	The Information Technology Assets Management System is an inventory system used to account for computer equipment.
Infrastructure	Infrastructure is the fundamental structure of a system or organization. The basic, fundamental architecture of any system (electronic, mechanical, social, political, etc.) determines how it functions and how flexible it is to meet future requirements.
Statement of Objectives	A Statement of Objectives is a Federal Government-prepared document incorporated into a request for offers (i.e., a solicitation) that states the overall performance objectives. It is used in solicitations when the Federal Government intends to provide the maximum flexibility to each offeror to propose an innovative approach.

Appendix VI

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF INFORMATION OFFICER

RECEIVED
JUL 1 6 2007

July 13, 2007

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard A. Spires
Chief Information Officer

SUBJECT: Draft Audit Report – Processes for Determining Whether to Lease or Purchase Computer Equipment Need to Be Improved (Audit #200720009) (i-trak #2007-25780)

Thank you for the opportunity to review the draft audit report and respond to the recommendations. We have carefully reviewed the draft report and agree that your recommendations have merit and necessitate corrective action. Our corrective actions are included in the attachment.

We are in agreement with the first two Outcome Measures identified in the report and have initiated solutions to mitigate the possible vulnerabilities, such as the reliability of information and the inefficient use of resources. The Chief, Agency Wide Shared Services (AWSS) will determine the validity of the reported benefits identified in the other two Outcome Measures upon completion of the analysis specified in Recommendation 2.

The Chief Information Officer (CIO) and the Chief, AWSS will work together to develop and implement a complete process to ensure all factors in the Federal Acquisition Regulation are considered and documented. Additionally, the CIO's office will work with Procurement to ensure a cost benefit analysis is conducted before any contracts for leases are awarded.

Thank you for your continued support and guidance. We look forward to working with your staff throughout the year to develop appropriate measures. If you have any questions, please contact me at (202) 622-6800. Members of your staff may also contact Perry Robinett, Director of Program Oversight Coordination, at (202) 283-6283.

Attachment

Attachment

Draft Audit Report – Processes for Determining Whether to Lease or Purchase Computer Equipment Need to Be Improved (Audit #200720009) (i-trak #2007-25780)

RECOMMENDATION #1: To ensure IRS management has all required information prior to making a lease versus purchase decision, the Chief Information Officer and the Chief, Agency Wide Shared Services, should work together to develop and implement a complete process to ensure all factors in the Federal Acquisition Regulation are considered and documented in the contract file when making a lease versus purchase decision.

CORRECTIVE ACTION #1A: We agree with this recommendation. To ensure IRS management has all required information prior to making a lease versus purchase decision, Procurement will update two Policy and Procedure (P&P) Memorandums:

- P&P 7.1, Acquisition Planning, will be updated to include the requirement to address lease/purchase decisions in the acquisition plan, regardless of dollar value, and will include the minimum elements for consideration in the determination. The update will include the reference to the applicable Federal Acquisition Regulation (FAR) requirements, such as a cost benefit analysis.
- P&P 7.4, Planning, Acquiring and Managing Equipment and Software, will be revised to ensure input, coordination, and consensus from the Chief Information Officer (CIO) is obtained regarding the lease/purchase decision prior to coordination with the Chief Financial Officer. Additionally, the determination worksheets will be modified to address software separately from other capital assets. In conjunction with the policy updates, Procurement will conduct training to ensure a complete understanding of the new requirements.

IMPLEMENTATION DATE: February 1, 2008

RESPONSIBLE OFFICIAL: Director, Procurement, Agency Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: As part of the quality assurance reviews, Procurement will review acquisition plans and file documentation to ensure compliance.

CORRECTIVE ACTION #1B: We agree with this recommendation. To ensure IRS management has all required information prior to making a lease versus purchase decision, the CIO will issue a Directive requiring purchasers of IRS computer equipment to fully comply with requirements outlined in Procurement P&P Memorandums 7.1 and 7.4. This Directive will include the reference to the applicable FAR requirements, such as a cost benefit analysis.

IMPLEMENTATION DATE: March 1, 2008

RESPONSIBLE OFFICIAL: Chief Information Officer

CORRECTIVE ACTION MONITORING PLAN: We enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

Attachment

Draft Audit Report – Processes for Determining Whether to Lease or Purchase Computer Equipment Need to Be Improved (Audit #200720009) (i-trak #2007-25780)

RECOMMENDATION #2: To ensure the IRS has not overpaid or underpaid the contractor, the Chief, Agency Wide Shared Services should perform a quality review of lease contract number TIRNO-00Z-00008 (delivery orders 0329, 0538, and 0573).

CORRECTIVE ACTION #2: We agree with this recommendation. The Contracting Officer (CO) is working closely with the contractor to obtain additional supporting documentation. Upon receipt, the CO will conduct a thorough analysis to determine whether the IRS has underpaid or overpaid the contractor and will initiate appropriate actions as determined necessary. This analysis will determine the validity of the reported benefits.

IMPLEMENTATION DATE: December 3, 2007

RESPONSIBLE OFFICIAL: Director, Procurement, Agency Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: The CO will ensure contract files are documented in accordance with the FAR and P&P Memorandum 7.4., Planning, Acquiring and Managing Equipment and Software, and Memorandum 7.1, Acquisition Planning.