



Treasury Inspector General for Tax Administration Office of Audit

CONTROLS OVER THE CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVES WORKFORCE WERE INEFFECTIVE, RESULTING IN SIGNIFICANT RISKS TO THE GOVERNMENT

Issued on September 30, 2009

Highlights

Highlights of Report Number: 2009-10-139 to the Internal Revenue Service Deputy Commissioners for Operations Support and Services and Enforcement.

IMPACT ON TAXPAYERS

The Contracting Officer's Technical Representatives (COTR) workforce is a key internal control to ensure that the contractor is meeting the Government's interest in terms of providing deliverables that are of high quality, complete, timely, and cost effective. However, TIGTA determined that the Internal Revenue Service's (IRS) contract administration was ineffective. As a result, the IRS cannot ensure that payments were made only to contractors who performed in accordance with contract terms and conditions and that taxpayer dollars are not being misspent.

WHY TIGTA DID THE AUDIT

This audit was conducted to determine whether the IRS COTRs are properly managed and functioning in a manner, as directed by the responsible Contracting Officers (CO) and applicable guidance, which will ensure goods and services are received in accordance with the terms of the contracts and within the cost and/or schedule requirements.

WHAT TIGTA FOUND

The IRS needs to take steps to strengthen its strategic management of the COTR workforce. Overall, the IRS' contract administration was ineffective to ensure that the Federal Government was receiving the appropriate goods and services.

The majority of the formally delegated COTRs were not performing the day-to-day contract oversight or the actual physical receipt and acceptance of contract deliverables for the procurements to which they were assigned. Instead, these COTRs limited their involvement to administrative functions and relied on program office employees to determine whether the goods or services provided by the contractor were acceptable. However, these program office employees

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were never formally delegated COTR authority by the responsible CO and had not received training to perform their contract administration role. When unauthorized personnel inspect deliverables, make recommendations regarding contract payments, or instruct the vendor to perform work outside the scope of the contract, there is a risk that unauthorized commitments can occur or work may not be completed in accordance with requirements.

Also, IRS managers responsible for supervising COTRs are not periodically monitoring and/or reviewing the COTR contract files for accuracy and completeness. TIGTA found that 22 of 26 COTRs assigned to 40 contracts with \$31.8 million in labor hour expenses did not have sufficient documentation to support their approval of the contractor's billed labor charge. Finally, the IRS needs to improve the performance assessment process for the COTRs and ensure that they are held accountable for their contract management duties.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Deputy Commissioners for Operations Support and for Services and Enforcement identify all IRS employees performing COTR-related duties and ensure that they are formally delegated authority by the responsible CO, appropriately trained, and certified in accordance with Federal acquisition requirements; ensure supervisors are knowledgeable of the contract oversight requirements and evaluate all aspects of their employees' COTR responsibilities; and ensure that consistent ongoing on-the-job support is provided for newly hired/less experienced COTRs. The Director, Office of Procurement, should reevaluate the current approach to expand the reviews of COTR contract files to ensure that reviews are routinely performed, accurate, and that complete documentation is received, verified, and retained to support the contractor's billed expenses.

In their response to this report, IRS management agreed with four of the five recommendations and agreed in part with one recommendation. IRS officials agreed guidance is needed to ensure they provide appropriate contract monitoring to reduce acquisition risk, and an increase in communication and training are needed for all COTRs. The IRS did not agree to revise the yearly performance evaluation process because of contractual issues in the collective bargaining agreement. TIGTA recognizes the legitimate concerns the IRS has raised with regard to evaluating the performance of the COTRs; however, despite these concerns, the IRS could attempt to negotiate different terms in the next collective bargaining agreement in an effort to address TIGTA's concerns.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200910139fr.pdf>

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