



## Treasury Inspector General for Tax Administration Office of Audit

### CONTRACT FILES LACKED SUFFICIENT INFORMATION TO SUPPORT DETERMINATIONS OF PRESENT RESPONSIBILITY

Issued on September 30, 2011

## Highlights

Highlights of Report Number: 2011-10-095 to the Internal Revenue Service Chief, Agency-Wide Shared Services.

### IMPACT ON TAXPAYERS

As of May 31, 2011, the Internal Revenue Service (IRS) Office of Procurement was responsible for administering 1,008 procurements with a reported life-cycle value of approximately \$39.2 billion. The IRS does not have an effective process to ensure that contracting officers' determinations of present responsibility are adequately conducted and documented in compliance with Federal Acquisition Regulation requirements. As a result, the IRS has an increased risk that procurements may be awarded to nonresponsible contractors.

### WHY TIGTA DID THE AUDIT

This audit was initiated because the Federal Acquisition Regulation requires that Federal agencies award procurements only to contractors that are presently responsible (i.e., reliable, dependable, and capable of performing required work on time and in a satisfactory manner). The overall objective of this review was to determine whether the IRS has an effective process for conducting and documenting present responsibility determinations to ensure that dishonest, unethical, or otherwise nonresponsible contractors are not awarded IRS procurements.

### WHAT TIGTA FOUND

The IRS does not have an effective process to ensure that contracting officers' determinations of present responsibility are adequately documented. Contract files did not contain sufficient documentation to support IRS contracting officers' affirmative determinations of contractors' present responsibility in 60 (68 percent) of 88 files reviewed. In addition, managerial reviews of present responsibility determinations were either not conducted or did not address the missing documentation. As a result, the IRS has an increased risk that procurements may be awarded to nonresponsible contractors, potentially leading to

additional costs to the Federal Government due to subsequent default, late deliveries, or other unsatisfactory contractual performance.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Agency-Wide Shared Services: 1) develop and implement guidance clearly indicating specific, minimally acceptable, required documentation for present responsibility determinations, and establish a specific time period for reviewing the Excluded Parties List System and the Central Contractor Registration database; 2) provide training for contracting officers on properly conducting and documenting present responsibility determinations; and 3) update managerial review guidance to include review of the contracting officers' present responsibility determinations.

In their response to the report, IRS officials agreed with the recommendations. The IRS stated it issued new guidance which includes a requirement for contracting officers to perform all required contractor qualification checks and maintain documentation of these checks in the contract files. The IRS also conducted a training session emphasizing the responsibility determination documentation requirements. Additionally, the IRS is updating managerial review guidance to include ensuring that the responsibility determination form with supporting documentation is maintained in contract files.

TIGTA noted that the new guidance issued does not fully address all of the concerns TIGTA identified. Additional guidance is needed on how procurement staff should conduct responsibility determinations, examples of appropriate documentation to be maintained for each of the criteria and provisions of law that must be examined, and the specific time period for conducting contractor qualification checks.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2011reports/201110095fr.pdf>.