



RECOVERY ACT

*Procurements Were Not Processed in
Compliance With the American Recovery
and Reinvestment Act of 2009*

September 30, 2011

Reference Number: 2011-11-132

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



HIGHLIGHTS



PROCUREMENTS WERE NOT PROCESSED IN COMPLIANCE WITH THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Highlights

Final Report issued on September 30, 2011

Highlights of Reference Number: 2011-11-132 to the Internal Revenue Service Chief, Agency-Wide Shared Services.

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. However, the IRS did not always comply with the Recovery Act and its implementing guidance in planning and awarding Recovery Act funded procurements. When Recovery Act procurements do not comply with the various transparency and accountability requirements, the reliability of Recovery Act spending information is impaired, and taxpayers will not have the ability to see how Recovery Act funds were used by the IRS.

WHY TIGTA DID THE AUDIT

This audit was initiated because the Recovery Act created specific guidelines and requirements for all procurements funded by the Recovery Act to ensure that Federal agencies effectively manage these procurement activities. The overall objective of this review was to determine whether the IRS has complied with the Recovery Act and its implementing guidance in planning and awarding Recovery Act funded procurements.

WHAT TIGTA FOUND

The IRS did not always comply with the Recovery Act and its implementing guidance in planning and awarding Recovery Act funded procurements. TIGTA identified three procurements totaling approximately \$58,000 that were not timely reported to the Department of the Treasury or the Office of Management

and Budget and were awarded without meeting Recovery Act procurement requirements. This oversight occurred because IRS program offices did not notify the Office of Procurement of these planned Recovery Act procurements in accordance with IRS guidance.

In addition, the IRS Office of Procurement Policy did not take immediate corrective action once these unreported procurements were discovered. TIGTA reviewed all 19 awarded Recovery Act procurements that were properly reported and determined that only one procurement action met all Recovery Act planning and award requirements.

Due to the limited time remaining for awarding Recovery Act procurements, TIGTA is not making a recommendation to address the control weaknesses identified in this audit. However, TIGTA believes the IRS should document lessons learned from the implementation of the Recovery Act requirements.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director of Procurement evaluate the control weaknesses and noncompliance issues identified during the audit and document any lessons learned which could be used as a reference for future legislation that may include special requirements for procurements, including tracking and reporting requirements and management control reviews.

IRS officials agreed with our recommendations and stated that the Office of Procurement plans to work with its operating divisions to document any lessons learned, including an assessment on Recovery Act reporting and a discussion on ways to improve the process. Going forward, the Office of Procurement also plans to ensure that all procurement managers are briefed on new legislation, including any special requirements for planning, awarding, tracking, and reporting procurements.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 30, 2011

MEMORANDUM FOR CHIEF, AGENCY-WIDE SHARED SERVICES

Michael R. Phillips

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Procurements Were Not Processed in Compliance
With the American Recovery and Reinvestment Act of 2009
(Audit # 201010114)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) has complied with the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ and its implementing guidance in planning and awarding Recovery Act funded procurements. This report is consistent with Office of Management and Budget guidance² to identify high-risk programs and create quicker turnaround reporting. This review was included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Credits and Payments.

The Recovery Act provides separate funding to the Treasury Inspector General for Tax Administration through September 30, 2013, to be used in oversight activities of IRS programs. This audit was conducted using Recovery Act funds.

Management's complete response to the draft report is included as Appendix IX.

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 Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (dated April 3, 2009).



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Abbreviations

CFO	Chief Financial Officer
FedBizOpps	Federal Business Opportunities
FNR	Funding Notification Report
IRS	Internal Revenue Service
OMB	Office of Management and Budget



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Background

Enacted on February 17, 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ contained both spending and tax provisions of \$787 billion over 10 years designed to stimulate the national economy by creating and retaining jobs. The Internal Revenue Service (IRS) is charged with administrating tax law changes² contained in the Recovery Act. In April 2009, the IRS received its appropriation³ of \$203 million in Recovery Act funds,⁴ which was to be used to implement the necessary tax changes as a result of the Recovery Act provisions. As of February 18, 2011, the IRS has awarded 24 procurement⁵ actions with Recovery Act funds that totaled approximately \$85 million, of which approximately \$72 million has been dispersed to contractors.⁶

The Recovery Act required unprecedented levels of transparency, oversight, and accountability. The web site www.Recovery.gov is the official source of information related to the Recovery Act and was designed to create a site that provides transparency of information related to spending on Recovery Act programs. Agencies must follow the same laws, principles, procedures, and practices in awarding contracts with Recovery Act funds as they do with other funds; however, the Recovery Act also created specific guidelines and requirements for all procurements funded by the Recovery Act. The Office of Management and Budget (OMB) issued several supplemental guidance documents that outline steps for implementing the Recovery Act and clarifying the requirements for planning and awarding procurements. For example, presolicitation and contract award notices must be posted on the Federal Business

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² The Recovery Act included more than 50 tax law provisions that the IRS is charged with administering. These tax changes included refundable credits, such as the Making Work Pay and First-Time Homebuyer Credits.

³ See Appendix VIII for a glossary of terms.

⁴ This appropriation amount included \$80 million for the Health Coverage Tax Credit program and \$123 million for supporting tax provision changes cited in the Recovery Act (totaling \$203 million). Recovery Act funds appropriated under the Health Coverage Tax Credit must have been obligated by September 30, 2010, and funds appropriated under the Tax Provisions must be obligated by September 30, 2011. We were informed by the Deputy Chief Financial Officer, Corporate Budget, Budget Execution Office, Execution Analysis, that the Department of the Treasury retained \$1 million of the \$203 million for its administrative oversight. This report examined Recovery Act funded procurements, but did not include a review of IRS Recovery Act funded administrative costs.

⁵ We broadly use the term procurements throughout this report to include contracts, task orders, or delivery orders issued against existing contracts.

⁶ This includes 19 awarded procurements identified from the IRS Procurement Plan dated July 16, 2010, and the 3 unreported Recovery Act procurement actions we identified during our fieldwork. This also includes two procurement actions added to the Procurement Plan after July 16, 2010, and subsequently awarded. These last two procurements were outside the scope of our review and were not included in our review of the IRS's compliance with Recovery Act requirements.



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Opportunities (FedBizOpps) system so the public will be aware of Recovery Act procurement opportunities. On February 19, 2009, the Department of the Treasury issued Acquisition Bulletin No. 09-02 to implement OMB Memorandum M-09-10 and subsequently issued guidance in various forms to implement additional Treasury-wide guidance, interpretations, and processes. Acquisition Bulletin No. 09-02, Revision 1, was issued on June 30, 2010, to consolidate all informal Recovery Act guidance as well as new policies in support of OMB requirements. See Appendix V for a detailed description of the Recovery Act contract award requirements.

The IRS has issued guidance⁷ that establishes procedures for procurements using Recovery Act funding. The IRS guidance incorporates current OMB and Department of the Treasury guidance. This guidance was intended for use by all Office of Procurement personnel and the Contracting Officer's Technical Representatives within the program offices.

The IRS Office of Procurement Policy, Policy and Procedures Branch (hereafter referred to as Procurement Policy), is responsible for tracking and reporting all procurements that have been identified for Recovery Act funding. It is the responsibility of the program offices to determine whether the procurement need is appropriate for Recovery Act funding and to notify the Office of Procurement of any new planned procurements as they occur. See Appendix VII for details of the Recovery Act Procurement Process at the IRS.

Within the IRS, three business units have used Recovery Act funds to award procurements for reprogramming IRS computer systems, updating related tax forms and publications, and providing customer services to assist taxpayers. These business units include the Wage and Investment Division, Modernization and Information Technology Services organization, and Tax Exempt and Government Entities Division.

Our prior audit⁸ reviewed the IRS's initial efforts to prepare for and award Recovery Act procurements. We determined that while the IRS took some proactive steps before the Recovery Act was enacted and continued to refine its efforts to plan, award, and report Recovery Act procurements during Calendar Year 2009, it did not have the necessary controls to ensure future procurements would comply with Recovery Act requirements. For example, the IRS had not developed written procedures regarding Recovery Act procurement requirements, provided formal training for those procuring goods and services, nor had it dedicated sufficient staffing resources to track and report Recovery Act procurements. Since the previous report, the IRS issued formal written guidance regarding Recovery Act processes and has assigned additional staff within Procurement Policy to perform Recovery Act responsibilities. In addition, some additional training on the Recovery Act specific procurement requirements has been provided by Procurement Policy to one business unit.

⁷ Policy and Procedure Memorandum No. 70.26, dated November 17, 2010.

⁸ *Additional Actions Are Needed to Ensure Readiness to Comply With the American Recovery and Reinvestment Act of 2009 Procurement Requirements* (Reference Number 2010-11-071, dated June 28, 2010).



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This review was performed at the IRS Office of Procurement in Oxon Hill, Maryland; Modernization and Information Technology Services organization in New Carrollton, Maryland; Wage and Investment Division program offices in Atlanta, Georgia; and Tax Exempt and Government Entities Division program offices and the IRS National Headquarters in Washington, D.C., during the period May 2010 through July 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

The IRS did not always comply with the Recovery Act and its implementing guidance in planning and awarding Recovery Act funded procurements. We identified 3 procurements totaling approximately \$58,000 that were not timely reported to the Department of the Treasury or the OMB and were awarded without meeting Recovery Act procurement requirements. This oversight occurred because IRS program offices did not notify the Office of Procurement of these planned Recovery Act procurements in accordance with IRS policy. In addition, the IRS Procurement Policy did not take immediate corrective action once these unreported procurements were discovered. In addition, we reviewed all 19 awarded Recovery Act procurements that were properly reported and determined that only one procurement action met all Recovery Act planning and award requirements.

Since our last Recovery Act procurement review, the IRS has made some progress in managing the progression of Recovery Act procurements from planning to award; however, when procurement actions do not comply with Recovery Act requirements, there is a risk that the transparency and accountability objectives for Government spending may not be achieved, and taxpayers will not have the ability to see how Recovery Act funds were used by the IRS.⁹

We determined that the Recovery Act procurement actions we reviewed contained two instances where awards were made with non-Recovery funds. In our prior audit,¹⁰ we discussed one of these procurements and, therefore, will not provide any further comments here. In the remaining instance, the IRS used non-Recovery funds totaling approximately \$222,000 for a procurement that was used in March 2010 to provide services for additional call volume generated by the Recovery Act tax law provisions. When the IRS program office used non-Recovery funds to acquire Recovery Act justified procurements, the \$222,000 for this procurement was not available for other IRS mission-critical needs, such as improving taxpayer service or addressing the tax gap.

Internal Revenue Service Controls Did Not Ensure Effective Tracking and Reporting of All Recovery Act Procurements

The IRS uses various reporting mechanisms to track Recovery Act procurements and funding. These include:

⁹ The IRS information is included in Department of the Treasury totals but is not depicted separately on Recovery.gov.

¹⁰ *Additional Actions Are Needed to Ensure Readiness to Comply With the American Recovery and Reinvestment Act of 2009 Procurement Requirements* (Reference Number 2010-11-071, dated June 28, 2010).



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- **Procurement Plan**: the official inventory list of all IRS planned procurements that have been proposed for Recovery Act funding.
- **Funding Notification Report (FNR)**: the reporting means for Recovery Act funds that agencies have publicly announced as being available to contractors and vendors through the solicitation of bids or proposals.¹¹ Federal agencies are required to provide information to the OMB on the funding notifications made for all types of Recovery Act awards.
- **Financial Activity Report**: summarizes the weekly update spending activity of the IRS's two Recovery Act appropriation codes, generated from the Integrated Financial System. This report includes the total obligations (financial commitments and expenditures) and gross outlays (expenditures only) for the IRS's Recovery Act funding.

The IRS properly tracked and reported 19 awarded Recovery Act funded procurements. However, our audit identified 3 additional awarded procurements, totaling approximately \$58,000, that were not reflected on either the IRS Procurement Plan or the FNR and, as a result, were not reported on the OMB MAX web site. We identified these procurements by obtaining an Integrated Financial System data extract of the two Recovery Act appropriation codes and comparing the procurements to the procurements listed on the IRS Procurement Plan. These unreported procurements were awarded on three separate dates ranging from June 16, 2009, to April 16, 2010, but were not reflected on the IRS Procurement Plan or the FNR until May 12, 2011, after we discussed the unreported procurements with the IRS.

These three procurements did not comply with requirements for processing Recovery Act procurements. Specifically, the procurements:

- Were not "Act Friendly" and acquisition strategies were not prepared for approval by the Department of the Treasury prior to award.
- Involved comingled¹² Recovery Act funds (totaling \$58,000) with non-Recovery Act funds.¹³

¹¹ The contracting officer is responsible for notifying Procurement Policy when a Recovery Act action is awarded or pending award. Procurement Policy submits the FNR updates to the Department of the Treasury, Office of Performance Budgeting, as appropriate.

¹² Recovery Act funds become comingled when they are mixed with annual appropriated funds. OMB guidance required separate accounts and coding to ensure the funds were maintained, recorded, and reported separately. The contract award documents used to procure these related goods and services contained both Recovery Act and non-Recovery Act funding. These contract award documents should have included only the goods and services funded with Recovery Act funding and a separate contract award document should have been submitted for the goods and services funded with non-Recovery Act funding.

¹³ The IRS can track and report the use of Recovery Act funds for these projects within its own financial and procurement systems.



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- Did not have appropriate supporting documentation within the contract file such as the Recovery Act Procurement Strategy Summary form, the presolicitation notice, or a justification statement that explained how the procurement related to Recovery Act goals.
- Were not posted to appropriate web sites such as FedBizOpps or Recovery.gov¹⁴ to report data related to Recovery Act spending.

In addition, we were advised by the IRS that Procurement Policy became aware of these procurements (after the fact), but did not take the necessary steps to comply with the Recovery Act reporting requirements because the procurements had already been awarded.¹⁵

The IRS has three management controls for ensuring Recovery Act procurement actions are tracked and reported in compliance with the Recovery Act reporting requirements. The primary management control was the use of the two designated appropriation codes that were used to identify Recovery Act transactions (obligations and expenditures). Our audit determined that this control was working and allowed the IRS to identify and track Recovery Act procurement transactions.¹⁶

Another management control designed to collect reporting data for Recovery Act procurement actions was the IRS Procurement Plan and the FNR. IRS program offices are responsible for notifying the Office of Procurement of any new planned procurement actions or when changes occur in an existing procurement. However, this control was not effective because not all the program offices were aware of the requirement and failed to report these new procurements to the Office of Procurement.

A third management control was the reconciliation¹⁷ of Recovery Act financial data conducted within the Office of the Chief Financial Officer (CFO), Office of Corporate Budget. The Office of the CFO draft Standard Operating Procedure states that CFO personnel will prepare the Financial Activity Report, which is reconciled (compared) weekly with the FNR prepared by the IRS Office of Procurement. The Office of the CFO records the differences between the reports and determines whether the accounting¹⁸ balances. The Office of the CFO then contacts Procurement Policy and informs them of any reconciling items for which an explanation is required. The FNR identifies only procurement-related items currently in the system and those

¹⁴ Contracting officers input procurement information into FedBizOpps which is automatically populated to Recovery.gov.

¹⁵ On May 18, 2011, Procurement Policy notified the Department of the Treasury, Office of the Procurement Executive, and requested recommended actions that should be taken regarding each of these transactions.

¹⁶ For more information on the IRS's accounting process and timeliness of reporting Recovery Act procurement expenditures, see Treasury Inspector General for Tax Administration Inspections and Evaluations report: *The IRS's Accounting for American Recovery and Reinvestment Act Fund Expenditures During the Period October 1, 2009, through March 31, 2010* (Reference Number 2011-IE-R007, dated September 6, 2011).

¹⁷ The Chief Financial Officer Recovery Act report reconciliation process was first initiated on December 10, 2009.

¹⁸ The mathematical calculations in the individual reports should be in agreement.



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that are anticipated in the near future. For this reason, there may be items that are included in the FNR that are not yet on the Financial Activity Report. However, a procurement included on the Financial Activity Report but not yet included on the FNR was an indication that a procurement action was missing from the IRS Procurement Plan and that the related Recovery Act data had not been reported on the OMB MAX web site.

Our audit determined that this control was not effective. While the CFO's reconciliation process had determined that these transactions were absent from the FNR, our audit showed: 1) there was a significant time delay (ranging from 10 to 208 calendar days) between the procurement award dates and identification of these procurements on the reconciliations by the Office of the CFO; and 2) once the discrepancies were identified, the procurements continued to appear as a discrepancy on subsequent Office of the CFO reconciliations. For example, in one instance, the procurement appeared as a discrepancy from March 26, 2010, through June 10, 2011,¹⁹ with no documented actions by the Office of Procurement to resolve the discrepancy. Due to turnover in CFO personnel, we could not determine why there was a delay in identifying the discrepancies or verify when CFO personnel first notified the IRS Office of Procurement of the discrepancies.²⁰ The IRS Office of Procurement advised us that the Department of the Treasury no longer required the IRS to submit the FNR as of October 8, 2010. Therefore, the IRS's guidance did not contain a requirement for Procurement Policy to timely research and resolve differences between the FNR and Financial Activity Reports identified in the Office of the CFO reconciliation process.

We believe that the Office of the CFO's reconciliation process was an integral control for ensuring that all Recovery Act procurements were appropriately tracked and reported. However, additional guidance for Procurement Policy was needed to ensure: 1) that inconsistencies between the FNR and the Financial Activity Report identified through the Office of the CFO reconciliation process were timely researched and resolved; and 2) if unidentified Recovery Act procurements were discovered, the appropriate OMB, Department of the Treasury, and IRS officials (e.g., IRS Senior Accountable Official) are notified when Recovery Act funded procurements are not reflected on the IRS Procurement Plan and the FNR prior to award and the OMB MAX web site has not been timely updated.

When Recovery Act procurements are not properly tracked and reported, the Recovery Act objectives of promoting accountability and transparency are not met, the reliability of the information on Recovery Act spending is impaired, and the public will not have an accurate account of how the IRS spent Recovery Act funds.

¹⁹ This represents the last reconciliation we received and documents that this action had not been resolved as of this date.

²⁰ The Office of the CFO advised us that it identified the discrepancies and notified the Office of Procurement of the discrepancies on November 10, 2010; however, supporting documentation of this correspondence could not be located.



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IRS Procurement Policy advised us that it had only one remaining Recovery Act procurement to award before September 30, 2011, and was not aware of any other plans for new Recovery Act procurements. Due to the limited time remaining for awarding Recovery Act procurements, we are not making a recommendation to address the control weaknesses identified in this audit. However, we believe the IRS should document the lessons learned from the implementation of the Recovery Act requirements as a reference for future legislation that may include special tracking and reporting requirements for procurements. These lessons learned would be helpful for the IRS in developing new procedures and controls to ensure compliance with any new reporting requirements. For example, the lessons learned should include reconciliation controls to ensure that all applicable procurements are identified, tracked, and reported as required. The controls should also address actions to be taken when discrepancies are identified.

Recommendation

Recommendation 1: The Director of Procurement should evaluate the issues and control weaknesses identified during the audit and document any lessons learned which could be used as a reference for future legislation that may include special tracking and reporting requirements for procurements. These lessons learned would be helpful for the IRS in developing new procedures and controls to ensure compliance with any new reporting requirements.

Management's Response: The IRS agreed with our recommendation. The Office of Procurement will work with its operating divisions to document any lessons learned, including an assessment on Recovery Act reporting and a discussion on ways to improve the process. Going forward, the Office of Procurement will ensure that all Procurement managers are briefed on new legislation along with any special reporting and tracking requirements.

The Internal Revenue Service Did Not Comply With All Recovery Act Requirements When Processing Recovery Act Procurements

The IRS did not comply with all Recovery Act procurement award requirements specified in OMB implementing guidance for planning and awarding Recovery Act funded procurements. We reviewed all Recovery Act procurement actions listed on the IRS Procurement Plan dated July 16, 2010. From this list, we determined that the IRS awarded 19 (49 percent) of the 39 planned procurements with a total obligated contract value of \$74.8 million. Our review of the remaining planned procurements determined that 9 (23 percent) of the 39 were planned for future award, and 11 (28 percent) of the 39 were canceled (either not awarded or awarded with non-Recovery Act funds). The three unreported procurements discussed earlier in this report were not included on the IRS Procurement Plan we tested and, as a result, were not included in this analysis.



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Our audit determined that 18 (95 percent) of the 19 awarded procurement actions had one or more instances of noncompliance with the Recovery Act award requirements. The noncompliance categories we identified involved requirements for:

- Posting the procurement award information on designated publicly accessible web sites.²¹
- Using the appropriate notice format on presolicitation and/or post award notices.
- Including all Recovery Act mandatory clauses in new or existing contracts if Recovery Act funds will be used to pay for performance of the existing contracts.
- Appointing qualified Contracting Officer's Technical Representatives.

See Appendix VI for details of the noncompliance of the Recovery Act award requirements we identified.

Our review determined that there have been several system enhancements that may increase the IRS's future compliance with some Recovery Act processing requirements that include:²²

- The FedBizOpps was enhanced at the end of January 2010 by including an electronic template for contracting officers to input presolicitation and post award notices. This template prompts users to indicate when procurement actions were Recovery Act funded and automatically generates the word "Recovery" preceding the title and another prompt to include the special statement preceding the actual requirement description. This enhancement should increase compliance with the special format issues we identified.
- The Federal Procurement Data System was enhanced effective March 12, 2010, to provide a separate field for Treasury Account Symbol²³ data. Prior to this enhancement, Treasury Account Symbol information would drop off or not post on the Federal Procurement Data System. This enhancement should increase IRS compliance with the proper insertion of the Treasury Account Symbol requirement when posting the procurement award information.

There were several reasons that contributed to the lack of compliance with the requirements for Recovery Act funded procurements. Although Procurement Policy advised contracting officers and program office personnel on the proper requirements for processing Recovery Act procurements and how to review the procurement documents before and after award, both parties did not always follow the prescribed Recovery Act requirements. Moreover, the IRS did not

²¹ When applicable, Recovery Act contract award actions should be posted on the following web sites for access by Government and Public users: FedBizOpps, Recovery.gov, and the Federal Procurement Data System.

²² These enhancements were implemented after 16 of the 19 procurements had been awarded.

²³ All Recovery Act transactions are required to be identified by the applicable Treasury Account Symbol. The Federal Procurement Data System Program Office implemented a new data element within the Federal Procurement Data System application to capture Treasury Account Symbol data.



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provide any formal training for managers of procurement personnel or include any specific instructions in their recent supplemental guidelines for managers to follow when performing reviews of Recovery Act contract files to ensure the contracting officers were properly completing the required Recovery Act procurement documents.

IRS guidance broadly states that Office of Procurement directors are accountable for procurement quality and shall establish review systems to ensure quality standards are maintained for all procurement actions within their offices, including simplified acquisitions. While IRS guidance addresses the managerial review of individual procurement actions in general terms, it does not specifically address the review of Recovery Act procurement requirements. Our audit determined that the managers of two of the four contracting offices involved with Recovery Act procurements had conducted documented reviews of the Recovery Act contract files. However, none of the noncompliance issues we identified were cited in the managers' contract file reviews.

When procurement actions do not comply with Recovery Act requirements, there is a risk that the transparency and accountability objectives for Government spending may not be achieved, and taxpayers' will not have the ability to see how Recovery Act funds were used by the IRS.

Due to the limited time remaining for awarding Recovery Act procurements, we are not making a recommendation to address this control weakness. However, we believe the IRS should document lessons learned from the implementation of the Recovery Act requirements as a reference for future legislation that may include special requirements for planning and awarding procurements. These lessons learned would be helpful for the IRS in developing new procedures and controls to ensure compliance with any new procurement requirements. For example, the lessons learned should include training for managers of procurement and program office personnel and requirements for management control reviews of any new requirements for procurement actions.

Recommendation

Recommendation 2: The Director of Procurement should evaluate the noncompliance identified during the audit for planning and awarding Recovery Act procurements and document any lessons learned.

Management's Response: The IRS agreed with our recommendation. The Office of Procurement will work with its internal operating divisions to document any lessons learned, including an assessment on Recovery Act reporting and a discussion on ways to improve the process. Going forward, the Office of Procurement will ensure that all Procurement managers are briefed on new legislation along with any special requirements for planning and awarding procurements.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the IRS has complied with the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ and its implementing guidance in planning and awarding Recovery Act funded procurements.² To accomplish our objective, we:

- I. Reviewed the guidance that has been issued for planning and awarding procurements using Recovery Act funds, and identified the requirements and guidelines with which the IRS is required to comply.
 - A. Obtained and reviewed all implementing guidance issued by the OMB,³ the Department of the Treasury, and the IRS pertaining to procuring goods and services using Recovery Act funds.
 - B. Developed a checklist of the requirements pertaining to procuring goods and services using Recovery Act funds for use in reviewing the contract files. See Appendix V for Recovery Act requirements applicable to the processing of procurements.
- II. Determined whether the IRS's Recovery Act procurements were in compliance with the required process for planning and awarding Recovery Act funded procurements.
 - A. Obtained the July 16, 2010, IRS Procurement Plan and identified and reviewed all 39 Recovery Act procurements.⁴ Of the 39 planned procurement actions:
 1. Nineteen (49 percent) procurement actions were awarded between April 17, 2009, and July 21, 2010, on Recovery Act program initiatives with a total obligated contract value of \$74.8 million, of which \$33.9 million had been dispersed to contractors as of July 16, 2010.

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² We broadly use the term procurements throughout this report to include contracts, task orders, or delivery orders issued against existing contracts.

³ See Appendix VIII for a glossary of terms.

⁴ Our initial universe count of planned procurement actions was 49. However, the universe was reduced by 10 procurements because 6 procurements had multiple Classified Line Item Numbers which we consolidated with 2 of the 39 procurements, and 4 procurements were awarded and managed by the General Services Administration.

⁵ In our prior report *Concerns About Contracting Officer's Technical Representatives That Are Relevant to the American Recovery and Reinvestment Act of 2009 Procurements* (Reference Number 2010-11-087, dated July 23, 2010), we reported that the IRS had initiated or was in the process of initiating 26 of the 40 planned procurement actions. The difference between the previously reported actions and our current count is due to our consolidation of multiple Classified Line Item Numbers, canceled procurements, and new procurements. This does not include three awarded procurements that were not shown on the IRS Procurement Plan (see page 4).



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2. Nine (23 percent) were anticipated future awards. We did not conduct an in-depth review of these contract files because there was minimal documentation available. At the end of our review, 8 (89 percent) of the 9 anticipated future awards had been canceled, and 1 was awarded January 12, 2011, with Recovery Act funds. Because our fieldwork in this area was largely completed, we did not include this procurement in our review.
 3. Eleven (28 percent) were canceled actions. We reviewed existing contract file documentation for these canceled procurement actions and met with pertinent IRS personnel to determine the reason why these Recovery Act procurement actions were canceled, whether the procurements were subsequently awarded using non-Recovery Act funds, and determined whether obligated Recovery Act funds for these actions were promptly deobligated.
- B. Reviewed the contract files for procurement actions identified from Step II.A.1 using the checklist prepared in Step I.B to determine whether the procurement actions were in compliance with the required process for planning and awarding Recovery Act funded procurements.
- C. Determined whether the IRS detected any failures to comply (noncompliance) with the Recovery Act requirements for procurements, and whether or not it took steps both incrementally and/or systemically through stronger internal controls to resolve any noncompliance, if applicable.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: policies, procedures, and practices for planning and awarding Recovery Act funded procurements issued by the OMB, the Department of the Treasury, and IRS Office of Procurement. In addition, we determined that the policies and procedures for tracking Recovery Act financial activity were also relevant internal controls. We evaluated these controls by interviewing program office, procurement, and financial personnel, and by reviewing contract files and financial reconciliation reports.



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Appendix II

Major Contributors to This Report

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Alicia P. Mrozowski, Director
Darryl J. Roth, Audit Manager
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Lauren W. Bourg, Auditor
Heather M. Hill, Senior Audit Evaluator



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Wage and Investment Division SE:W
Acting Commissioner, Tax Exempt and Government Entities Division SE:T
Chief Technology Officer OS:CTO
Director, Procurement OS:A:P
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:
 Chief, Agency-Wide Shared Services OS:A
 Chief Technology Officer OS:CTO
 Commissioner, Small Business/Self-Employed Division SE:S
 Commissioner, Wage and Investment Division SE:W
 Acting Commissioner, Tax Exempt and Government Entities Division SE:T
 Director, Procurement OS:A:P



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Appendix IV

Outcome Measure

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

Type and Value of Outcome Measure:

- Reliability of Information – Actual; \$58,000 in American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ funds (see page 4).

Methodology Used to Measure the Reported Benefit:

We identified three procurement² award actions totaling approximately \$58,000 that were not reflected on the IRS Procurement Plan or the FNR.³ As a result, these procurements were not timely reported on the OMB MAX web site. These procurements were obligated and awarded on separate dates ranging from June 16, 2009, to April 16, 2010, but were not reflected on the IRS Procurement Plan until May 12, 2011, after we discussed these unreported procurements with the IRS. We identified these procurements based on a comparison between a data extract from the Integrated Financial System of the two appropriation codes⁴ that the IRS uses to track Recovery Act transactions and the IRS Procurement Plan. When Recovery Act procurements are not properly tracked and reported, the Recovery Act objectives of promoting accountability and transparency are not met, the reliability of the information on Recovery Act spending is impaired, and the public will not have an accurate account of how the IRS spent Recovery Act funds.

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² We broadly use the term procurements throughout this report to include contracts, task orders, or delivery orders issued against existing contracts.

³ See Appendix VIII for a glossary of terms.

⁴ There are two Recovery Act appropriation codes: 09110129D (Tax Provisions) and 09100934D (Health Coverage Tax Credit).



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Appendix V

Recovery Act Contract Award Requirements

OMB¹ guidance for planning and awarding American Recovery and Reinvestment Act of 2009 (Recovery Act)² contract awards states agencies must:³

1. To the maximum extent practicable, award contracts using Recovery Act funds as fixed-price contracts (see Federal Acquisition Regulation⁴ Subpart 16.2) using competitive procedures.
2. Provide maximum practicable opportunities for small businesses to compete for agency contracts and to participate as subcontractors in contracts awarded by agencies.
3. Publish presolicitation and award notices of orders under task and delivery order contracts on the FedBizOpps system, in addition to the Federal Acquisition Regulation Part 5 requirements for presolicitation and award notices.
4. Include special formatting for presolicitation and award notices in the FedBizOpps system and award reporting in the Federal Procurement Data System to distinguish Recovery Act actions.
 - a. All presolicitation notices and award announcements must include the word “Recovery” as the first word in the Title field in the FedBizOpps system, preceding the actual title.
 - b. Presolicitation notices for delivery and task orders must also include the following statement in the Description field, preceding the actual description:

THIS NOTICE IS PROVIDED FOR INFORMATION PURPOSES ONLY. THIS OPPORTUNITY IS AVAILABLE ONLY TO CONTRACTORS UNDER (contracting officer insert program name).”

¹ See Appendix VIII for a glossary of terms.

² Pub. L. No. 111-5, 123 Stat. 115 (2009).

³ These guidelines include OMB Memorandum 09-10 OMB Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated February 18, 2009, and OMB Memorandum OMB Updating Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated April 3, 2009. The Federal Acquisition Regulation has also been updated through Federal Acquisition Circulars. For instance, on March 31, 2009, interim requirements were issued to update contract provisions and clauses. These procedures became final on July 16, 2010.

⁴ 48 C.F.R. ch. 1 (2009).



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- c. When entering data in the Federal Procurement Data System on any action (including modifications) funded by the Recovery Act, agencies must enter the Treasury Account Symbol in the Description of Requirement field.⁵
5. Include terms and conditions in contract documents necessary for effective implementation of Recovery Act data collection and accountability requirements.
6. Provide a summary of the contract or order (or modification to an existing contract or order), including a description of the required products and services, which will be made available publicly and linked to the Recovery.gov⁶ web site for each Government contract or order (or modification to an existing contract or order) exceeding \$500,000.
7. Post a summary of any contract or order (or modification to an existing contract or order), including a description of the required products and services, in a special section of the Recovery.gov web site, unless the contract or order is both fixed-price and competitively awarded.
8. Place special emphasis on responsibility determinations and preaward surveys. The award of a contract based solely on lowest evaluated price can produce a false economy, increasing performance, cost, and schedule risk. Federal Acquisition Regulation Subpart 9.103 states that a prospective contractor must affirmatively demonstrate its responsibility, including, when necessary, the responsibility of its proposed subcontractors.
9. Use authorized acquisition flexibilities as appropriate to avoid unnecessary delays in awarding contracts with Recovery Act funds.
10. Provide for appropriate oversight of contracts to ensure outcomes that are consistent with and measurable against agency plans and goals under the Recovery Act. It is critical that agencies evaluate their workforce needs so that they are able to appoint qualified Contracting Officers, Contracting Officer's Technical Representatives, and Program Managers with certification levels appropriate to the complexity of Recovery Act projects.
11. Do not commingle Recovery Act funds with other funds in apportionment requests prepared for the OMB. Agencies must separately track apportionments, allotments, obligations, and expenditures related to Recovery Act funding. In some cases, agencies may need to use Recovery Act funds in conjunction with other funds to complete

⁵ The Federal Procurement Data System implemented a new data element on March 12, 2010, to capture the Treasury Account Symbol code.

⁶ Contracting officers input procurement information into FedBizOpps which is automatically populated to Recovery.gov.



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projects. They may do so, but must separately track and report the use of Recovery Act funds for these projects.

Our prior audit also noted one aspect of the Recovery Act's transparency and accountability requirements that does not apply to IRS contractors.⁷ IRS contractors receiving Recovery Act funds are not required to report information on Recovery.gov, including how the funds were used, any jobs created, and executive compensation packages. Therefore, our audit did not include a review of recipient reporting requirements.

In addition to the previous OMB guidance, the Department of the Treasury⁸ and IRS⁹ guidance further clarify Recovery Act guidance for procurements:¹⁰

12. The IRS was initially required to obtain Department of the Treasury approval on all planned procurements. However, in the draft Acquisition Bulletin dated February 4, 2010, this policy was updated to reflect that the Department of the Treasury no longer required review and/or approval of "Act Friendly" procurements.
13. Use the appropriate Recovery Act appropriation codes for funding Recovery Act procurements. There are two IRS Recovery Act appropriation codes: 09110129D (Tax Provisions) and 09100934D (Health Coverage Tax Credit).

⁷ The Recovery Act requires agencies receiving funds under Division A of the Recovery Act to comply with the transparency requirements for recipient reporting on Recovery.gov. The IRS received funds under Division B of the Recovery Act (Tax, Unemployment, Health, State Fiscal Relief, and Other Provisions), which does not include this transparency requirement. Although the IRS received its funding for the Health Coverage Tax Credit under Division A, this tax provision is covered under Division B and, therefore, the recipient reporting requirement does not apply.

⁸ On February 19, 2009, the Department of the Treasury issued Acquisition Bulletin No. 09-02 to implement OMB Memorandum M-09-10 and subsequently issued guidance in various forms to implement additional Agency-wide guidance, interpretations, and processes. Acquisition Bulletin No. 09-02, Revision 1, was issued on June 30, 2010, to consolidate all informal guidance as well as new policy in support of OMB requirements.

⁹ IRS Policy and Procedure Memorandum No. 70.26 *American Recovery and Reinvestment Act of 2009*, dated November 17, 2010.

¹⁰ We broadly use the term procurements throughout this report to include contracts, task orders, or delivery orders issued against existing contracts.



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Appendix VI

*Summary of Internal Revenue Service Compliance
With Recovery Act Procurement Requirements*

Figure 1 presents the details of the noncompliance of the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ procurement requirements observed in our audit of 19 procurements² awarded between April 17, 2009, and July 21, 2010. The award requirements are based upon the dollar value and type of procurement action. As a result, all Recovery Act procurements do not have to meet all the listed requirements.

Figure 1: Observations of Noncompliance With Recovery Act Procurement Requirements

Recovery Act Requirement	Requirement				Percentage Not Met
	Not Applicable	Applicable	Met	Not Met	
Posting of Presolicitation Notices on FedBizOpps. ³	16	3	2	1	33%
Formatting of Presolicitation Notices:					
• The Word “Recovery” Preceding Actual Title Field on the Notice. ⁴	16	3	0	3	100%
• The Required Statement Preceding Description of Requirement Section on the Notice. ⁵	16	3	0	3	100%
Inclusion of Mandatory Contract Clauses. ⁶	0	19	12	7	37%

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² We broadly use the term procurements throughout this report to include contracts, task orders, or delivery orders issued against existing contracts.

³ See Appendix V, item number 3, publishing of presolicitation notices on the FedBizOpps web site before soliciting contractor bids.

⁴ See Appendix V, item number 4 (a), use of “Recovery” as the first word preceding the title field on the presolicitation notice in the FedBizOpps system.

⁵ See Appendix V, item number 4 (b), the mandatory statement included in the Description filed on the presolicitation notice in the FedBizOpps system.

⁶ See Appendix V, item number 5, terms and conditions required in contract documents to ensure Recovery Act data collection and accountability requirements are met.



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Recovery Act Requirement	Requirement				Percentage Not Met
	Not Applicable	Applicable	Met	Not Met	
Appointing Qualified Contracting Officer's Technical Representatives. ⁷	10	9	6	3	33%
Posting of Contract Award Information on Publicly Accessible Web Sites					
• FedBizOpps. ⁸	8	11	7	4	36%
• Federal Procurement Data System. ⁹	0	19	7	12	63%
• Recovery.gov. ¹⁰	14	5	3	2	40%
Formatting of Contract Award Notices, the Word "Recovery" Preceding Actual Title Field on the Notice. ¹¹	8	11	1	10	91%

Source: Our analysis of 19 Recovery Act procurements awarded between April 17, 2009, and July 21, 2010. This analysis does not include the three unreported Recovery Act procurement actions we identified during our fieldwork.

⁷ See Appendix V, item number 10, appoint qualified Contracting Officer's Technical Representatives.

⁸ See Appendix V, item number 3, publishing of contract award notices on the FedBizOpps.

⁹ See Appendix V, item number 4 (c), publishing of specific information on the Federal Procurement Data System for contract award actions.

¹⁰ See Appendix V, item number 6, publishing of specific contract award information on Recovery.gov when the contract value exceeds \$500,000.

¹¹ See Appendix V, item number 4 (a), use of "Recovery" as the first word preceding the title field on the award notice in the FedBizOpps system.



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Appendix VII

*The Recovery Act Procurement Process
at the Internal Revenue Service*

The IRS Office of Procurement tasked Procurement Policy¹ with the responsibility for tracking all planned American Recovery and Reinvestment Act of 2009 (Recovery Act)² funded procurements to ensure they are properly reported on the IRS Procurement Plan,³ the IRS FNR,⁴ and the OMB MAX web site. Another duty of Procurement Policy is to advise IRS program offices and Office of Procurement personnel on the specific guidelines and requirements for planning and awarding Recovery Act funded procurements. In addition, for planned procurements that are not “Act Friendly,” Procurement Policy is tasked with coordinating the Department of the Treasury reviews and approves the procurement’s acquisition strategy prior to the solicitation for contractor’s bids or requests for proposals. Planned procurements that are “Act Friendly” do not require prior approval from the Department of the Treasury. However, they must be reviewed by and coordinated with Procurement Policy prior to any communication with contractors.

Within the IRS, it is the responsibility of the program offices to determine whether the procurement need is appropriate⁵ for Recovery Act funding, and the requesting activity must include a written justification identifying how the procurement relates to Recovery Act efforts. Two appropriation codes⁶ have been established to track Recovery Act procurements, and program offices also must verify that the correct Recovery Act appropriation codes are reflected on the procurement requisition. In addition, the program office must ensure funding is available and approved through their designated Financial Plan Manager. The IRS program offices are required to notify the Office of Procurement of any new planned procurements as they occur for inclusion in the IRS Procurement Plan. The responsible contracting officer is required to notify

¹ IRS Procurement Policy ensures the uniform interpretation and implementation of the Federal procurement regulations, statutes, and directives by establishing and issuing uniform policies and procedures, providing quality reviews of contractual instruments and procurement operations, and providing cost and pricing analysis on major acquisitions.

² Pub. L. No. 111-5, 123 Stat. 115 (2009).

³ See Appendix VIII for a glossary of terms.

⁴ The IRS Office of Procurement advised us that the Department of the Treasury no longer required the IRS to submit the FNR as of October 8, 2010.

⁵ Procurements initiated for Recovery Act funding should relate to the Recovery Act goals and activities reflected in the Act’s legislation.

⁶ There are two IRS Recovery Act appropriation codes: 09110129D (Tax Provisions) and 09100934D (Health Coverage Tax Credit).



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Procurement Policy when a Recovery Act action is awarded or pending award and post procurement presolicitation and award information on FedBizOpps, Recovery.gov⁷ and the Federal Procurement Data System for access by Government and Public users. Finally, Procurement Policy submits weekly updates to the Procurement Plan on the Treasury OMB MAX website and FNR updates to the Department of the Treasury, Office of Performance Budgeting, as appropriate.

⁷ Contracting officers input procurement information into FedBizOpps which is automatically populated to Recovery.gov.



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Appendix VIII

Glossary of Terms

Term	Definition
Acquisition Strategy	Documentation which identifies whether a procurement action will be awarded as a new contract, a modification to an existing contract, a task or delivery order issued against an existing contract, or a modification to an existing task or delivery order. The acquisition strategy for American Recovery and Reinvestment Act of 2009 (Recovery Act) ¹ procurements identifies whether the procurement is competitively bid, firm fixed-price, and awarded to a small business.
Act Friendly	A procurement action that is competitive, firm fixed-price, and awarded to a small business.
Appropriation	A provision of law authorizing the expenditure of funds for a given purpose.
Contract Award	The Recovery Act and its implementing guidance use the term “contract award” to distinguish all types of Recovery Act funded procurements from grants and other forms of Federal assistance.
Deobligated	A downward adjustment of the obligations recorded in a contract document. It is caused by factors such as: (1) termination of a part of the project; (2) reduction in material prices; (3) cost under-run; or (4) correction of recorded amounts. The deobligated funding is then available for other uses.

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).



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Term	Definition
Federal Acquisition Regulation	The codification and publication of uniform policies and procedures for acquisitions by all Executive Branch agencies.
Federal Business Opportunities	A single Government-wide point of entry for Federal Government procurement opportunities exceeding \$25,000. Through this system, commercial vendors seeking Federal markets for their products and services can search, monitor, and retrieve opportunities solicited by the entire Federal contracting community.
Federal Procurement Data System	A comprehensive web-based tool for agencies to report contract actions.
Funding Notification Report	The amount of funds that agencies have publicly announced as being available to entities outside of the Federal Government.
Integrated Financial System	An administrative accounting system used by the IRS.
Office of Management and Budget (OMB)	As related to this report, the division of the Executive Office of the President that has the primary responsibility for developing Government-wide rules and procedures to ensure funds are awarded and distributed in a prompt and fair manner; uses of funds are transparent to the public; and steps are taken to mitigate fraud, waste, and abuse.
OMB MAX Web Site	The OMB uses the MAX Information System to collect, validate, analyze, model, collaborate with Federal agencies on, and publish information relating to, its Government-wide management and budgeting activities.
Procurement Plan	An inventory list of all IRS planned procurements that will use Recovery Act funding.
Program Offices	The functional organization within IRS business units that needs the good or service provided by the procurement.



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Term	Definition
Recovery.gov	The Recovery Act required the creation of a web site to report data related to Recovery Act spending. Recovery.gov was established as the United States Government's official Recovery Act web site.
Solicitation of Bids or Proposals	Any request to submit offers or quotations to the Government for new procurement actions. Solicitations under sealed bid procedures are called "invitations for bids." Solicitations under negotiated procedures are called "requests for proposals."



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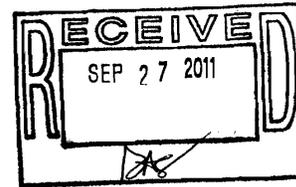


Appendix IX

Management's Response to the Draft Report



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



September 26, 2011

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

From: David A. Grant 
Chief, Agency-Wide Shared Services

Subject: Draft Audit Report – Procurements Were Not Processed in
Compliance with the American Recovery and Reinvestment
Act of 2009 (#201010114)

Thank you for the opportunity to respond to the subject audit report. This audit was conducted to determine whether the IRS has complied with the American Recovery and Reinvestment Act of 2009 (ARRA) and its implementing guidance in planning and awarding Recovery Act funded procurements. Our response is attached.

The report states the IRS did not always comply with the Recovery Act and its implementing guidance in planning and awarding Recovery Act funded procurements. TIGTA identified three procurements, totaling \$58,000, which were not timely reported to the Department of the Treasury (Treasury) or the Office of Management and Budget and were awarded without meeting all Recovery Act procurement requirements. We feel it is important to note that the three transactions identified equate to less than three-tenths of one percent of the total appropriation of \$203 million. We agree with the report that the Recovery Act required "unprecedented levels of transparency, oversight, and accountability", and that lessons learned activities are critical in ensuring that our controls are strengthened going forward. We also want to note that the Office of Procurement sought approvals from the Treasury's Office of the Procurement Executive (OPE) for the transactions after they were identified, and Treasury concurred with the corrective actions we recommended.

Recovery Act funds that are not obligated by September 30, 2011 will not be available for use. Therefore, any lessons learned from conducting Recovery Act procurements will be used to strengthen our internal controls for legislation that may include special tracking and reporting requirements. We concur with your assessment of the measurable impact identified Appendix IV and the importance of the public having an accurate account of how the IRS spent Recovery Act funds.



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We appreciate your continued support and the valuable assistance and guidance that your team provides. If you have any questions, please contact me at (202) 622-7500. If there are any technical questions, a member of your staff may contact Barry Kearns, Director, Office of Procurement Policy, at (202) 283-1410. For matters concerning audit procedural follow-up, please contact Larry Pugh, Office of Strategy and Finance, Agency-Wide Shared Services, at (202) 622-4541.

Attachment



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Attachment

RECOMMENDATION #1: The Director of Procurement should evaluate the issues and control weaknesses identified during the audit and document any lessons learned which could be used as a reference for future legislation that may include special tracking and reporting requirements for procurements. These lessons learned would be helpful for the IRS in developing new procedures and controls to ensure compliance with new reporting requirements.

CORRECTIVE ACTION: We agree with this recommendation. The Office of Procurement will work with our organization's operating divisions to document any lessons learned, including an assessment on Recovery Act reporting and a discussion on ways to improve the process. Going forward, we will ensure that all Procurement managers are briefed on new legislation, along with any special reporting and tracking requirements.

IMPLEMENTATION DATE: March 31, 2012

RESPONSIBLE OFFICIAL: Director, Procurement, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Corrective Actions will be monitored in the JAMES system until complete.

RECOMMENDATION #2: The Director of Procurement should evaluate the non-compliance identified during the audit for planning and awarding Recovery Act procurements and document any lessons learned.

CORRECTIVE ACTION: We agree with this recommendation. The Office of Procurement will work with our internal operating divisions to document any lessons learned, including an assessment on Recovery Act reporting and a discussion on ways to improve the process. Going forward, we will ensure that all Procurement managers are briefed on new legislation, along with any special requirements for planning and awarding procurements.

IMPLEMENTATION DATE: March 31, 2012

RESPONSIBLE OFFICIAL: Director, Procurement, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Corrective Actions will be monitored in the JAMES system until complete.