



*Improved Controls Are Needed to Account
for the Issuance and Return of Contractor
Employee Laptop Computers*

August 25, 2016

Reference Number: 2016-10-057

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.

Phone Number / 202-622-6500

E-mail Address / TIGTACommunications@tigta.treas.gov

Website / <http://www.treasury.gov/tigta>



To report fraud, waste, or abuse, call our toll-free hotline at:

1-800-366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, D.C. 20044-0589

Information you provide is confidential and you may remain anonymous.



HIGHLIGHTS

IMPROVED CONTROLS ARE NEEDED TO ACCOUNT FOR THE ISSUANCE AND RETURN OF CONTRACTOR EMPLOYEE LAPTOP COMPUTERS

Highlights

Final Report issued on August 25, 2016

Highlights of Reference Number: 2016-10-057 to the Internal Revenue Service Chief Procurement Officer and Chief Technology Officer.

IMPACT ON TAXPAYERS

During Fiscal Year (FY) 2014, IRS records showed that more than 7,900 contractor employees terminated their employment on contracts with the IRS. It is important for the IRS to recover Government computers from contractor employees to prevent unauthorized access to computer systems and taxpayer information, and to prevent the loss of Government equipment.

WHY TIGTA DID THE AUDIT

The overall objective of this audit was to determine whether the IRS implemented policies and procedures to provide reasonable assurance that the issuance and return of laptop computers are adequately documented when contractor employees separate from the IRS.

WHAT TIGTA FOUND

Contract administration documentation used to account for the issuance of laptop computers to contractor employees and the return of laptop computers from contractor employees was often incomplete, inaccurate, or not provided for review. Furthermore, separately maintained computer inventory records were not always accurate or did not always match contract administration documentation. Without better recordkeeping practices, the IRS is vulnerable to the loss of laptop computers, which may contain taxpayer information.

The two separately maintained sources used to account for the return of laptop computers from contractor employees did not reconcile.

Specifically, contract administration documentation and computer inventory records only matched for 12 of 40 laptop computers associated with contractor employees TIGTA sampled. For the remaining laptop computers, contract administration documentation and computer inventory records differed. For example, IRS officials provided contract administration documentation showing three laptop computers were issued to contractor employees in TIGTA's sample, but computer inventory records did not show laptop computers were ever assigned to the contractor employees.

These errors were caused by several factors. For example, TIGTA could not identify any guidance for the audit time period regarding how contract administration officials should document the issuance of laptop computers to contractor employees. Contract administration officials also did not always use current forms requiring barcodes to document the return of laptop computers.

After the time period of our sample, the IRS developed a training package that included requirements for contract administration officials to maintain a log of IRS-issued equipment in the contract file, including a description of the equipment issued, the barcode, the serial number, the date issued, and the date returned.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS strengthen management oversight by: 1) updating the appropriate checklist or process and conducting training to provide reasonable assurance that barcodes are documented in contract administration documentation for the issuance of laptop computers to contractor employees and the return of laptop computers from contractor employees and 2) developing a process to review and compare contract administration documentation and computer inventory records.

In its response, the IRS agreed with TIGTA's recommendations and stated that it plans to update processes and checklists, and provide training. In addition, the IRS plans to implement a process to compare and reconcile contract administration documentation, contractor inventory lists, and computer inventory records.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 25, 2016

MEMORANDUM FOR CHIEF PROCUREMENT OFFICER
CHIEF TECHNOLOGY OFFICER

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improved Controls Are Needed to Account for the
Issuance and Return of Contractor Employee Laptop Computers
(Audit # 201510025)

This report presents the result of our review to determine whether the Internal Revenue Service (IRS) implemented policies and procedures to provide reasonable assurance that the issuance and return of laptop computers are adequately documented when contractor employees separate from the IRS. This review is included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

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

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Table of Contents

[Background](#).....Page 1

[Results of Review](#)Page 3

[The Issuance and Return of Contractor Employee Laptop
Computers Are Not Always Adequately Documented](#).....Page 3

[Recommendations 1 and 2:](#)Page 6

Appendices

[Appendix I – Detailed Objective, Scope, and Methodology](#)Page 8

[Appendix II – Major Contributors to This Report](#).....Page 10

[Appendix III – Report Distribution List](#)Page 11

[Appendix IV – Outcome Measure](#)Page 12

[Appendix V – Management’s Response to the Draft Report](#)Page 14



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Abbreviations

COR	Contracting Officer's Representative
FY	Fiscal Year
IRS	Internal Revenue Service
IT	Information Technology



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Background

The Internal Revenue Service (IRS), like other Federal agencies, relies on contractor personnel to accomplish a broad range of mission-critical functions.¹ During Fiscal Year (FY) 2014, more than 7,900 contractor employees terminated their relationship with the IRS because of the expiration of contracts or for other reasons, such as entering into other employment arrangements. Many of these contractor employees were in positions in which they were issued laptop computers, which may allow them access to IRS networks and sensitive taxpayer data. Laptop computers and other equipment must be recovered from separating contractor employees prior to the effective date of separation to prevent the loss of the equipment and sensitive data.

Contracting Officer Representatives (hereafter known as contract administration officials) act as technical representatives to the Contracting Officer² and assist in managing all technical aspects of a particular contract. Contract administration officials are responsible for assuring all security aspects (physical, personnel, and data) of the contract are properly addressed, and work with other IRS officials to identify and provide equipment and computer access needs. Contract administration officials must maintain an organized contract administration file to record all contractor and Government actions included in the Contract Administration Checklist.³

When a contractor employee separates from the IRS, the contract administration official is responsible for the return of any assigned laptop computers prior to separation.⁴ A list of assigned equipment should be located in the contract case file. When a contractor employee leaves the contract, the contract administration official must complete Form 14604, *Contractor Separation Checklist*, which is used to document the release of a contractor employee from an IRS contract and to document the return of Government property, including laptop computers. After recovering the laptop computer from the contractor employee, the contract administration official should create an equipment return services ticket to arrange for return of the equipment to the Information Technology (IT) organization office.⁵ When the services ticket is received by the IT organization technician, the technician retrieves the equipment, reviews the laptop

¹ According to IRS management, the IRS employed approximately 14,800 contractor employees as of July 2015.

² The Contracting Officer is an IRS employee who is responsible for ensuring performance of all necessary actions relating to the contract, including ensuring that contractors are complying with contract terms and conditions.

³ A document maintained for each assigned contract that provides the ability to view the contract award and other important information without having to access the Contracting Officer's files.

⁴ IRS officials stated that when the contract administration official is not located in the same city as the contractor, another IRS official will arrange for the return of the laptop computer from the contractor and its pick up by the Information Technology organization office.

⁵ The office that establishes policies and procedures for the management and control of information technology equipment.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

computer's barcode⁶ to assure that it is the correct computer, arranges for shipment of the equipment to the IT organization office, and updates the IRS's Knowledge Incident/Problem, Asset Management–Asset Manager (hereafter referred to as the IT organization inventory system)⁷ with the equipment's location. IT organization functional coordinators should also review the inventory assigned to the separating employee and confirm that the IT organization technician recovered the correct equipment. The equipment should then be shipped to the Brookhaven, New York; Memphis, Tennessee; or Ogden, Utah, equipment depots based on its useful life and warranty.

This review was performed with information obtained from the IRS Agency-Wide Shared Services Facilities Management and Security Services offices located in Oakland, California; Washington, D.C.; Las Vegas, Nevada; Portsmouth, New Hampshire; and Houston, Texas; the IRS Agency-Wide Shared Services Resource and Operations Management offices in Atlanta, Georgia; and Memphis, Tennessee; the IRS Human Capital Office Employment Services, Employment Talent and Security offices in Oakland, California; Washington, D.C.; and Covington, Kentucky; the IRS Human Capital Office Payroll and Personnel Systems office in Florence, Kentucky; the IRS Procurement Policy Office in New Carrollton, Maryland; the IRS Information Technology organization User and Network Services Offices in Fort Lauderdale, Florida; Atlanta, Georgia; and Farmers Branch, Texas; the IRS Information Technology organization Applications Development offices in Kansas City, Missouri; and Farmers Branch, Texas; the IRS Criminal Investigation Strategy office in Glynco, Georgia; the Small Business/Self-Employed Division Collections Operations office in Atlanta, Georgia; and the Wage and Investment Division Cybersecurity and Customer Accounts Services office in Atlanta, Georgia. 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.

⁶ A permanent sticker with a unique series of lines printed on it, which is attached to an information technology asset for quick identification by a scanner.

⁷ The system used to track information technology and non-information technology equipment used throughout the IRS.



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Results of Review

Contract administration documentation used to account for the issuance and return of laptop computers from contractor employees was often incomplete, inaccurate, or not provided for review.⁸ Furthermore, separately maintained computer inventory records were not always accurate or did not always match contract administration documentation.

These errors were caused by several factors. For example, we could not identify any guidance for the audit time period regarding how contract administration officials should document the issuance of laptop computers to contractor employees. Contract administration officials also did not always use current forms requiring barcodes to document the return of laptop computers. Without better recordkeeping practices, the IRS is vulnerable to the loss of laptop computers, which may contain taxpayer information.

***The Issuance and Return of Contractor Employee Laptop Computers
Are Not Always Adequately Documented***

To determine if the IRS documented that laptop computers were recovered from a random sample of 40 contractor employees,⁹ we compared documentation from two separately maintained independent sources: 1) contract administration documentation and 2) computer inventory records. However, contract administration documentation and computer inventory records did not reconcile and only matched for 12 (30 percent) of the 40 laptop computers associated with contractor employees in our sample.¹⁰ For the remaining 28 laptop computers, contract administration documentation and computer inventory records differed. The left column of Figure 1 shows how contract administration documentation recorded the issuance and return of the 28 laptop computers and the right column shows how they were recorded in computer inventory records.

⁸ The Treasury Inspector General for Tax Administration previously recommended that IRS management ensure that the required exit procedures are followed by local contract administration officials for separating contractor employees, including the proper completion of Form 14604. Treasury Inspector General for Tax Administration, Ref. No. 2011-10-086, *Controls Over Costs and Building Security Related to Outsourced Office Support Services Need to Be Improved* p. 8 (Aug. 2011).

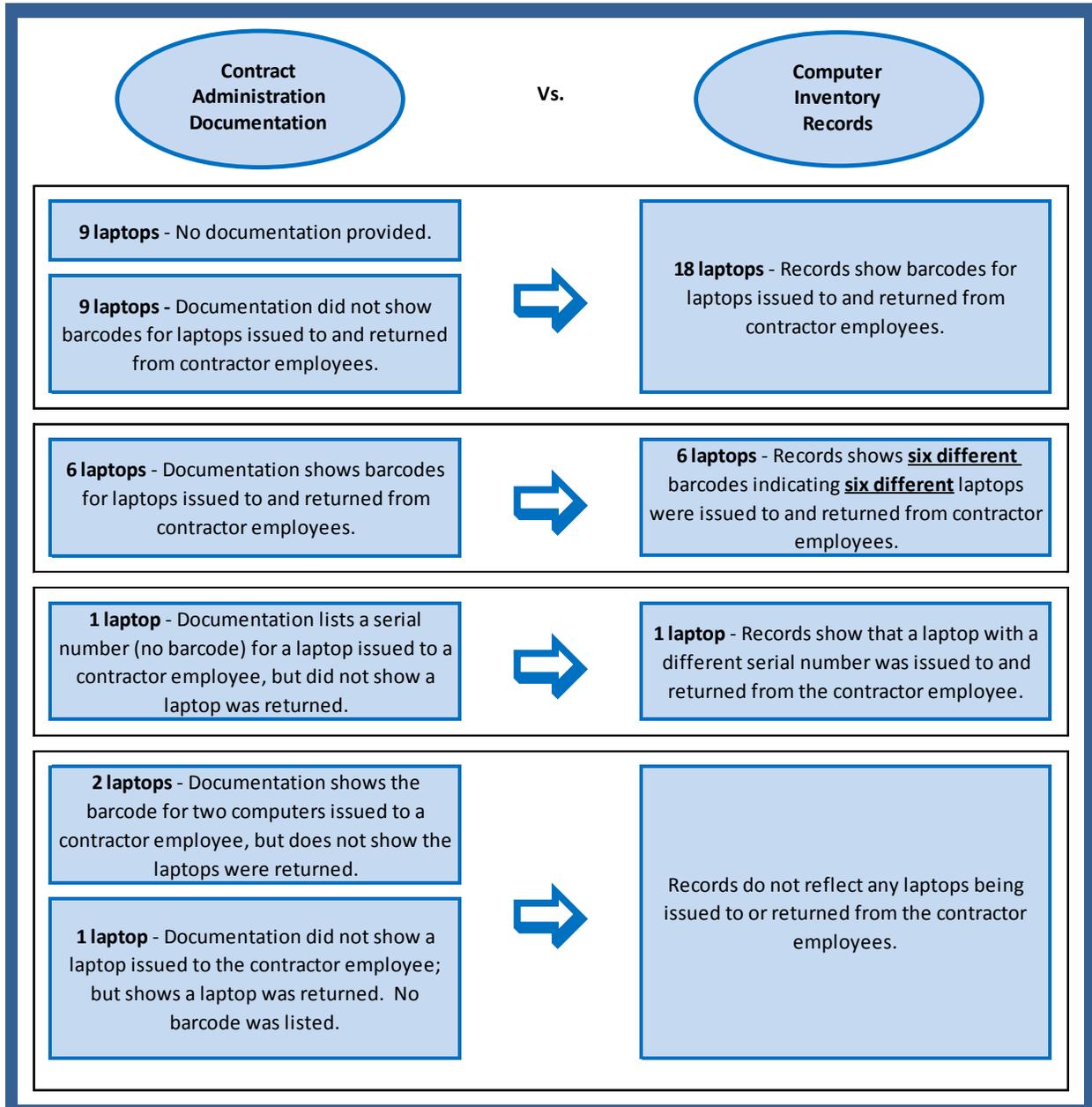
⁹ See Appendix I for our sampling methodology.

¹⁰ We could not identify if laptop computers were issued to six contractor employees in our sample, and five contractor employees in our sample were issued at least two laptop computers.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

Figure 1: Comparison of Contract Administration Documentation With Computer Inventory Records



Source: Treasury Inspector General for Tax Administration analysis of contract administration documentation and computer inventory records.¹¹

¹¹ A serial number is a unique, identifying number or group of numbers assigned to an individual asset.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

Contract administration officials are the IRS's primary control for assuring that laptop computers provided to contractor employees are returned on separation. However, we found that contract administration documentation did not always document the issuance and return of laptop computers, records often did not include barcodes for the computers, or records may show a computer issued to the contractor employee but may show "not applicable" for the return of the computer. In addition, we identified three laptop computers for which contract administration documentation showed computers were issued to contractor employees, but computer inventory records did not show computers issued or returned. We performed additional analysis of computer inventory records and found that the IRS had these laptop computers in inventory.

We interviewed seven contract administration officials associated with the contractor employees in our sample and found that, in general, they did not always document barcodes in the contract case files when laptop computers were issued or returned from contractor employees.¹² For example, contract administration officials stated that, when they are not co-located with the contractor employees and did not personally issue or recover the laptop computers, they depend on another IRS employee, such as a contract program manager, to issue and recover the computers. Therefore, they would not have the barcode.

Of the seven contract administration officials we interviewed, six were not co-located with their contractor employees. The contract administration official who was co-located with contractor employees maintained records, including barcodes of laptop computers issued to and returned from contractor employees. However, the remaining six contract administration officials generally did not maintain independent records of equipment issued to or returned from contractor employees.¹³ Based on our review of a stratified random sample of contractor employee separations for FY 2014, we estimate that the IRS does not have contract administration documentation to account for the return of laptop computers for 1,078 (84.2 percent)¹⁴ of the 1,280 contractor employees with computer systems and facilities access who separated in FY 2014.¹⁵

The Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, establishes guidance for internal control in Federal agencies. According to the Circular, Federal managers are responsible for establishing and maintaining internal controls to achieve the objectives of 1) effective and efficient operations, 2) reliable financial reporting, and

¹² After interviewing seven contract administration officials and finding that they generally did not document the issuance and return of laptop computers in the contract case files, we contacted IRS management for assistance in obtaining the documentation from other officials. We provided our full sample of contractor employees to IRS management; however, they did not provide additional contract administration documentation for the issuance and return of laptop computers for the contractor employees.

¹³ One contract administration official maintained a spreadsheet provided by the contractor of equipment issued to contractor employees.

¹⁴ The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the point estimate is between 912 and 1,244.

¹⁵ See Appendix IV.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

3) compliance with applicable laws and regulations. The safeguarding of assets is a subset of these objectives. Specifically, Federal managers should design controls to provide reasonable assurance of preventing or promptly detecting unauthorized acquisition, use, or disposition of assets.¹⁶ The IRS's controls over laptop computers should be designed to provide reasonable assurance that laptop computers support the agency's mission and are safeguarded throughout their life cycles.

After the time period of our sample, the IRS developed a training package that included requirements for contract administration officials to maintain a log of IRS-issued equipment in the contract file, including a description of the equipment issued, the barcode, the serial number, the date issued, and the date returned.

Recommendations

The Chief Procurement Officer, should:

Recommendation 1: Strengthen management oversight by updating appropriate checklists (or the appropriate contract administration process) and conduct training to provide reasonable assurance that barcodes are documented in contract administration documentation for the issuance of laptop computers to contractor employees and the return of laptop computers from contractor employees.

Management's Response: The IRS agreed with this recommendation. The Office of Procurement Policy will update the Contracting Officer's Representative (COR) Contract Administration Checklist and COR Appointment Letter to clarify COR responsibilities, to include maintaining a detailed list of Government-furnished property, equipment, and information issued to and returned from contractor (including subcontractor) employees. Unique identification will be in the form of a single barcode and used to the maximum extent. Furthermore, the Office of the Procurement Policy will post training and information on the Procurement 101 intranet site that explains the new checklist, process, and guidelines, as well as the requirement to compare and reconcile, on an annual basis, the contractor inventory list against the IT User and Network Services generated inventory list.

Recommendation 2: Work with IT User and Network Services and the IRS business units to develop a process to review and compare contract administration documentation to computer inventory records to provide reasonable assurance that barcodes are documented correctly in contract administration files for the issuance and return of laptop computers to contractor employees.

¹⁶ Office of Management and Budget, *OMB Circular A-123 – Management's Responsibility for Internal Control* (Dec. 2004).



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Management's Response: The IRS agreed with this recommendation. The Office of the Chief Procurement Officer will collaborate with IT User and Network Services and IRS business units to develop a process to annually compare computer identifying information, *e.g.*, barcode number included in the COR contract administration file to the IRS's computer inventory records. This review will strengthen IRS controls by identifying discrepancies or inconsistencies which can be researched and timely resolved in the IRS's inventory system and/or the COR's contract administration file.



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the IRS implemented policies and procedures to provide reasonable assurance that the issuance and return of laptop computers are adequately documented when contractor employees separate from the IRS. To accomplish our objective, we:

- I. Assessed whether controls were designed to provide reasonable assurance that laptop computers were recovered when contractor employees separated from the IRS.
 - A. Reviewed the Internal Revenue Manual and held discussions with IRS management to identify controls for recovering laptop computers from separated contractor employees.
 - B. Interviewed IRS management and reviewed documentation to determine how the Form 14604, *Contractor Separation Checklist*, is used to monitor whether laptop computers are recovered from separated contractor employees.
 - C. Interviewed IT organization management and reviewed documentation to determine procedures used by the IT organization to monitor the return of laptop computers.
- II. Determined whether designed controls were functioning to provide reasonable assurance that laptop computers were recovered when contractor employees separated from the IRS.
 - A. Obtained an extract of the Personal Identity Verification Background Investigation Process system database and determined that the data were reliable for our purpose by validating that date fields contained dates, name fields contained names, *etc.*, and by matching a sample of records to the IT organization's inventory system. We identified 1,280 contractor employees with computer systems and facilities access who separated from their contracts during FY 2014.
 - B. Selected a stratified random sample of 40 contractor employees¹ who had computer systems and facilities access and separated during FY 2014 and determined if the issuance and return of laptop computers were adequately documented when contractor employees separated from the IRS.² A stratified random sample was taken because we wanted to estimate the total number of number of contractor employees

¹ We also selected 24 cases for use in replacing cases in the random sample if they failed to meet criteria, *e.g.*, the contractor employee was not issued a laptop computer.

² A contract statistician assisted with developing the sampling plans.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

- for whom the IRS does not have documentation to account for the return of laptop computers. We used the following criteria: 90 percent confidence level, 7.7 percent precision rate, and 10 percent estimated error rate. The sample was selected from four strata based on the number of separating contractor employees assigned to each contract administration official: 1) one contractor employee per contract administration official, 2) two to four contractor employees per contract administration official, 3) five to 12 contractor employees per contract administration official, and 4) 13 to 109 contractor employees per contract administration official.
- C. Obtained and reviewed documentation, *i.e.*, inventory logs, custody receipts, e-mails, Forms 14604, from seven contract administration officials to determine if contract administration officials documented the issuance and return of laptop computers when the contractor employees separated.
 - D. Obtained backup IT organization inventory records from October 1, 2013; December 31, 2013; March 31, 2014; June 30, 2014; September 30, 2014; and September 24, 2015. We determined the data were reliable for our purpose by validating that date fields contained dates, name fields contained names, *etc.* We queried IT organization inventory records for our sample to identify the barcode assigned to the contractor employees prior to separation, and queried the records to determine if the same barcodes were returned to IT organization inventory after the contractor employees separated.

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 that the following internal controls were relevant to our audit objective: IRS policies, procedures, and practices for retrieving laptop computers from separated contractor employees. We evaluated these controls by reviewing contract administration records, IT organization inventory records, and documentation supporting the return of laptop computers; and interviewing management about actions taken to ensure that laptop computers were returned for selected contractor employees with computer systems and facilities access who separated during FY 2014.



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Appendix II

Major Contributors to This Report

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Troy D. Paterson, Director

Gerald T. Hawkins, Audit Manager

Andrew J. Burns, Lead Auditor

Allen L. Brooks, Senior Auditor



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Operations Support
Associate Chief Information Officer, Unified Network Services
Director, Operations Service Support
Director, Office of Audit Coordination



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions 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 – Potential; 1,078 contractor employees¹ with computer systems and facilities access who separated from the IRS in FY 2014 and the IRS does not have contract administration documentation to account for the return of laptop computers (see page 3).

Methodology Used to Measure the Reported Benefit:

We reviewed a statistically valid stratified sample of contract administration documentation for 40 of 1,280 contractor employees with computer systems and facilities access who separated from the IRS during FY 2014. Complete contract administration documentation was provided for only seven of the 40 contractor employees. For the remaining 33 contractor employees, the IRS did not provide complete contract administration documentation to sufficiently account for the return of laptop computers.

To estimate the number of contractor employees for whom the IRS does not have documentation to account for the return of laptop computers, we stratified the population into four strata and determined the exception percentage by strata. See Figure 1 for additional details.

¹ The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the point estimate is between 912 and 1,244.



Improved Controls Are Needed to Account for the Issuance and Return of Contractor Employee Laptop Computers

Figure 1: Exception Summary by Category of Contractor Employee Separations Per Contract Administration Official (Strata)

Number of Contractor Employee Separations Per Contract Administration Official	Population by Category	Exception Percentage	Estimated Number of Exceptions
1 Contractor Employee	24	90	22
2 - 4 Contractor Employees	81	90	73
5 - 12 Contractor Employees	247	60	148
13 - 109 Contractor Employees	928	90	835
Total Exceptions			1,078

Source: Statistical projection of the results of our analysis.



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Appendix V

Management's Response to the Draft Report



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

August 8, 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Shanna R. Webbers *Shanna R. Webbers*
Chief Procurement Officer

Subject: Draft Audit Report – Improved Controls Are Needed to Account
for the Issuance and Return of Contractor Employee Laptop
Computers (Audit # 201510025)

Thank you for the opportunity to respond to the subject draft audit report. The IRS is committed to having proper controls in place to monitor and track the issuance and return of laptop computers provided to contractor employees.

We agree with the recommendations and will develop and implement the corrective actions detailed in our attached response.

The Office of the Chief Procurement Officer will direct the Contracting Officer's Representative (COR) to maintain a detailed inventory list that tracks all government furnished equipment, property and information issued to and returned from contractor (including subcontractor) employees. Additionally, prime contractors will be required to maintain an internal inventory list (inclusive of subcontractors). The contractor shall provide a copy of its list to the Contracting Officer and COR annually, or at the end of the contract period of performance whichever comes sooner, for all contracts that provide staff-like access to IRS or contractor facilities (no matter who owns the facility), information systems or assets (i.e. laptops, portable devices) that process or store sensitive but unclassified (SBU) information or (soft or hard copy) documents that contain SBU information.

Upon issuance and return of any government furnished equipment, property or information to the contractor, the COR shall conduct a cursory review to compare their inventory list against the contractor internal inventory list. On a yearly basis, the COR shall conduct a comprehensive analysis to verify the contractor internal inventory list accurately matches the inventory as documented on their list as well as the master list



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

maintained by the Office of Information Technology (OIT) User and Network Services (UNS).

The IRS concurs with the stated benefit of the reliability of contract administration in regards to tracking the number of contractor (including subcontractor) employees with IRS furnished information technology and access to IRS and contractor facilities and information system.

If you have any questions, please contact me or a member of your staff may contact Michael Crawford, Office of Procurement Policy at (202) 613-5838.

Attachment



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

Attachment

RECOMMENDATION 1:

Strengthen management oversight by updating appropriate checklists (or the appropriate contract administration process) and conduct training to provide reasonable assurance that barcodes are documented in contract administration documentation for the issuance of laptop computers to contractor employees and the return of laptop computers from contractor employees.

CORRECTIVE ACTION:

The IRS agrees with this recommendation. The Office of the Procurement Policy will update the COR Contract Administration Checklist and COR Appointment Letter to clarify COR responsibilities, to include maintaining a detailed list of government furnished property, equipment and information issued to and returned from contractor (including subcontractor) employees. Unique identification will be in the form of a single barcode and used to the maximum extent. Furthermore, the Office of the Procurement Policy will post training and information on the Procurement 101 intranet site that explains the new checklist, process and guidelines as well as the requirement to compare and reconcile, on an annual basis, the contractor inventory list against the OIT UNS generated inventory list.

IMPLEMENTATION DATE: December 15, 2016

RESPONSIBLE OFFICIAL:

Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN:

The COR will compare the contractor internal inventory list against their records and those maintained by OIT UNS. If there are any discrepancies found, the COR will be directed to immediately open an OS GetServices ticket in the Knowledge Incident/Problem Service and Asset Management (KISAM) inventory system to identify the discrepancy, track status and monitor until resolved. The results of the COR's annual review and reconciled inventory list will be maintained in the contract administration file and provided to the appropriate Contracting Officer for inclusion within the contract file.

RECOMMENDATION 2:

Work with IT User and Network Services and the IRS Business Units to develop a process to review and compare contract administration documentation to computer inventory records to provide reasonable assurance that barcodes are documented correctly in contract administration files for the issuance of laptop computers to contractor employees and the return of computers from contractor employees.

CORRECTIVE ACTION:

The IRS agrees with this recommendation. The Office of the Chief Procurement Officer will collaborate with OIT UNS and IRS Business Units to develop a process to annually



*Improved Controls Are Needed to Account for the Issuance
and Return of Contractor Employee Laptop Computers*

compare computer identifying information (e.g. Barcode number) included in the COR contract administration file to IRS's computer inventory records. This review will strengthen the IRS controls by identifying discrepancies or inconsistencies which can be researched and resolved in IRS's inventory system and/or the COR's contract administration file timely.

IMPLEMENTATION DATE: February 15, 2017

RESPONSIBLE OFFICIAL:
Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN:

The COR will compare the contractor internal inventory list against their records and those maintained by OIT UNS. If there are any discrepancies found, the COR will be directed to immediately open an OS GetServices ticket in the Knowledge Incident/Problem Service and Asset Management (KISAM) inventory system to identify the discrepancy, track status and monitor until resolved. The results of the COR's annual review and reconciled inventory list will be maintained in the contract administration file and provided to the appropriate Contracting Officer for inclusion within the contract file.