

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment

May 28, 2021

Report Number: 2021-10-037

HIGHLIGHTS: Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment

Final Audit Report issued on May 28, 2021

Report Number 2021-10-037

Why TIGTA Did This Audit

The Federal Government can use suspensions and debarments to ensure that agencies award contracts only to responsible contractors. A suspension or debarment excludes a contractor from doing business with the Government for a specified period of time.

This audit was initiated to determine if the IRS has sufficient controls in place to prevent contractors that have been suspended or debarred from receiving contracts and whether the IRS has an effective process to identify and refer contractors that meet the criteria for suspension or debarment.

Impact on Taxpayers

The Government uses taxpayer funds to execute contracts that help agencies fulfill their missions and serve taxpayers. The IRS awards more than \$2 billion in contracts each year. The IRS and other agencies could unknowingly contract with nonresponsible contractors if suspension or debarment risk factors are not documented.

What TIGTA Found

The IRS has processes in place to prevent contractors that have been suspended or debarred from entering into contracts with the IRS. TIGTA verified that the IRS did not enter into any new contracts, or exercise options on any ongoing contracts, between October 1, 2016, and September 30, 2019, with contractors that had been suspended or debarred.

However, the IRS does not have a dedicated suspension and debarment program or a specific subject matter expert responsible for these activities. Moreover, the IRS does not have adequate processes in place to evaluate contractor performance and determine, based on actual performance, whether contractors should be considered for suspension or debarment. In addition, TIGTA concluded that the IRS did not always evaluate contractor performance or track contracts that have been terminated. Finally, IRS procurement personnel stated that there is no suspension and debarment training required for the staff.

TIGTA determined that the IRS did not prepare performance evaluations for 115 (29%) of 395 contractors. Timely completion of past performance evaluations is necessary to ensure that the IRS and other agencies have current information available regarding a contractor's performance under previously awarded contracts. Without relevant past performance information, future contracts may be awarded to contractors that do not have the financial resources to perform the contract or comply with the contract performance schedule, or that have a poor performance record.

In addition, the IRS was unable to identify a consolidated list of contracts that had been terminated between October 1, 2016, and September 30, 2019, and did not ensure that information was accurately reflected in the Federal contractor evaluation system after a contract was terminated for default. Entering contract terminations in this system is critical since the IRS and other Federal agencies rely on the information to make responsibility determinations during the source selection process.

What TIGTA Recommended

TIGTA recommended that the Chief Procurement Officer: (1) appoint a designated point of contact to be responsible for the IRS suspension and debarment process; (2) establish a process to monitor compliance with contractor past performance evaluation requirements; (3) track contract termination status; and (4) require that contracting personnel complete suspension and debarment and termination training. The IRS agreed or partially agreed with our recommendations and plans to take corrective actions.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

May 28, 2021

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in blue ink that reads "Michael E. McKenney".

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment (Audit # 202010021)

This report presents the results of our review to determine if the Internal Revenue Service (IRS) has sufficient controls in place to prevent contractors that have been suspended or debarred from receiving contracts and whether the IRS has an effective process to identify and refer contractors that meet the criteria for suspension or debarment. This review is part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Enhancing Security of Taxpayer Data* and *Protection of IRS Resources*.

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

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

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Background

The Federal Government uses suspensions and debarments to ensure that agencies award contracts only to responsible contractors.¹ Suspension of a contractor is a temporary exclusion (usually 12 months) from doing business with the Government. A suspension is generally used when the facts about possible wrongdoing are still being developed, either through investigation or legal proceedings. A debarment typically has a legal basis, such as a civil judgment or conviction, and excludes the contractor for a specific period of time (usually no more than three years).

The Federal Acquisition Regulation outlines policies and procedures for agencies to suspend or debar contractors for given causes.² Contractors may be referred for suspension or debarment for various reasons, including:

- Commission of fraud, embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating Federal criminal laws, receiving stolen property, and unfair trade practice.
- Violation of Federal or State antitrust statutes relating to the submission of offers.
- Willful, or a history of, failure to perform in accordance with the terms of a contract/contracts.
- Violations of Drug-Free Workplace.³
- Delinquent Federal taxes (more than \$3,500).
- Knowing failure to disclose a violation of criminal law.
- Any other offense that indicates a lack of integrity or that seriously and directly affects present responsibility.

Treasury Directive 12-12 further established policies and responsibilities for procurement-related suspensions and debarments for all offices and organizations within the Department of the Treasury (Treasury Department).⁴ The Directive states that an agency office, program manager, contracting officer, or contracting officer representative must notify the appropriate Inspector General and the office of the Treasury Suspension and Debarment Official when indications of potential fraud or lack of responsibility exists. Referrals may include rationale for the referral, relevant facts, acquisition history, and appropriate documents, exhibits, or evidence. The Treasury Suspension and Debarment Official reviews referrals and makes a final determination.

Suspended or debarred contractors are published as ineligible on the System of Award Management (SAM), a website administered by the General Services Administration. The SAM contains publicly available data for contractors registered to do business with the Federal

¹ To be responsible, a prospective contractor must have adequate financial resources to perform the contract, be able to comply with the contract performance schedule (based on existing business commitments), have a satisfactory performance record, and have a satisfactory record of integrity and business ethics.

² 48 C.F.R. Section (§) 9.4, *Debarment, Suspension, and Ineligibility* (October 2019).

³ 41 U.S.C., Chapter 81, *Drug-Free Workplace* (January 2011).

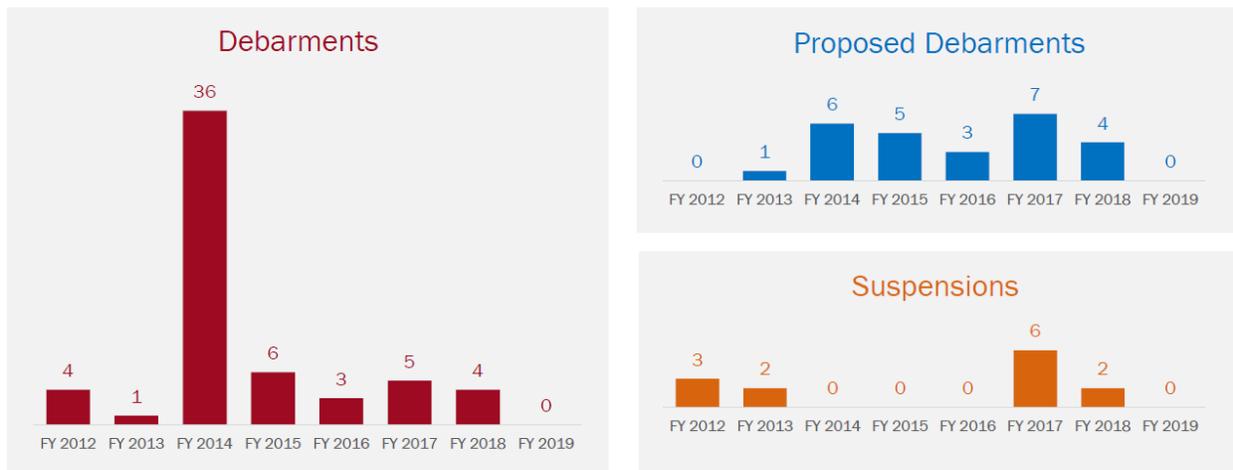
⁴ Treasury Directive 12-12, *Procurement and Non-Procurement Suspension and Debarment* (August 2012).

Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment

Government, as well as those actively excluded from receiving Federal contracts. The SAM Exclusion data includes any contractors that have been suspended, have a proposed debarment, or have an active debarment.

Statistics on suspension and debarment activities are submitted to Congress through the Interagency Suspension and Debarment Committee's annual report. In Fiscal Year⁵ 2013, the Treasury Department created an intake form on its Waste, Fraud, and Abuse website and increased training via webinars and print media to reach out to contracting officer representatives across the Treasury Department.⁶ As shown in Figure 1, the total number of suspensions, proposed debarments, and debarments increased shortly thereafter.

Figure 1: Treasury Department Suspension and Debarment Actions



Source: *Interagency Suspension and Debarment Committee Annual Reports, Fiscal Years 2012–2019*.⁷

According to the Internal Revenue Service's (IRS) Office of the Chief Procurement Officer (OCPO), there were no referrals for potential suspension or debarment initiated by the IRS in Fiscal Years 2013 and 2014, two referrals in Fiscal Year 2015, and no referrals between May 2015 and September 2019. Therefore, the suspensions and debarments reported by the Treasury Department were not significantly impacted by activity at the IRS.

Contractor Responsibility Determination

The Government uses taxpayer funds to execute contracts that help agencies fulfill their missions and serve taxpayers. Within the IRS, the OCPO provides acquisition services for all business units and awards more than \$2 billion in contracts each year. Prior to awarding a contract, OCPO contract personnel are required by the Federal Acquisition Regulation to determine whether a prospective contractor is responsible.⁸ This includes consideration of a contractor's financial resources, existing business commitments, and past performance records, which can be obtained from the SAM, the Contractor Performance Assessment Reporting

⁵ Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins October 1 and ends on September 30.

⁶ Government Accountability Office, GAO-14-513, *Agencies Have Taken Steps to Improve Suspension and Debarment Programs* (May 2014).

⁷ The information in this figure is presented for background purposes only and as such, we did not validate the accuracy of this information.

⁸ 48 C.F.R. § 9.1, *Responsible Prospective Contractors* (October 2019).

Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment

System (CPARS), and the Federal Awardee Performance and Integrity Information System (FAPIIS).

System for Award Management	The primary Government repository for prospective Federal awardee and Federal awardee information. It includes data collected from prospective Federal awardees required for conducting business with the Government, annual representations and certifications, and identification of those parties excluded from receiving Federal contracts.
Contractor Performance Assessment Reporting System	The Governmentwide evaluation reporting tool for all past performance reports on contracts that require an evaluation.
Federal Awardee Performance and Integrity Information System	A module of the CPARS that contains Federal contractor criminal, civil, and administrative proceedings in connection with Federal awards; suspensions and debarments; administrative agreements issued in lieu of suspension or debarment; non-responsibility determinations; contract terminations for cause or default; and defective pricing determinations. ⁹

The IRS's contractor responsibility determination process was completed manually until May 2019, when the OCPO began automating the process using the Contractor Responsibility Determination Bot.¹⁰ The bot automates the search, collection, and analysis of required documentation and e-mails a streamlined report back to the requestor. This includes matching a potential contractor to the SAM exclusion data and the FAPIIS website. IRS policy requires contracting officers to include supporting documentation in all contract files to demonstrate that the entity's SAM and FAPIIS records were reviewed to establish responsibility.¹¹ In addition, contracting officers may exercise contract options only after determining that the contractor does not have an active exclusion in the SAM.¹²

Contractor Performance Evaluations

Past performance evaluations are required for contracts that exceed a certain dollar threshold.¹³ When a contract is awarded, the IRS's procurement system, Procurement for Public Sector (PPS), feeds data into the Federal Procurement Data System, which in turn feeds data into the CPARS.¹⁴ For contracts requiring an evaluation, contracting personnel should register the contract in the CPARS within 30 days following award. The CPARS is used to input data on contractor performance following each contract period of performance. Agencies are required to assign responsibility and management accountability for the completeness of past performance

⁹ FAPIIS information is also available on a public website, <https://www.fapiis.gov> (last visited Jan 14, 2021).

¹⁰ The Treasury Inspector General for Tax Administration previously reported on the OCPO's use of the Contractor Responsibility Determination Bot in September 2020 (Ref. No. 2020-20-060, *Process Automation Benefits Are Not Being Maximized, and Development Processes Need Improvement* (Sept. 2020)).

¹¹ IRS Acquisition Policy, FY 2021 Edition (November 2020).

¹² 48 C.F.R. § 17.207, *Exercise of Options* (October 2019).

¹³ The simplified acquisition threshold delineates when simplified acquisition procedures may be used. The simplified acquisition threshold was \$150,000 for any contract signed March 5, 2018, or earlier, and \$250,000 for any contract signed March 6, 2018, or later.

¹⁴ The Federal Procurement Data System is a web-based tool for agencies to report contract actions.

submissions. In addition, if a contract is terminated for cause or default, agencies are required to ensure that information is accurately reported in the FAPIIS module of the CPARS within three calendar days.¹⁵ Fourteen days after the termination is entered, the FAPIIS record will be available on the public FAPIIS website.¹⁶

Results of Review

Contracting Oversight Activities Need Improvement, Including Strengthening the Suspension and Debarment Program

The IRS has processes in place to prevent contractors that are suspended or debarred from entering into contracts with the IRS. We independently verified that the IRS did not enter into any new contracts, or exercise options on any ongoing contracts, between October 1, 2016, and September 30, 2019, with contractors that were suspended or debarred.¹⁷ While the IRS does have procedures to avoid contracting with an excluded contractor, we found that the IRS does not have a program in place to identify and refer contractors that meet the criteria for potential suspension or debarment, a specific subject matter expert responsible for these activities, or suspension and debarment training required for staff. In addition, the IRS does not have adequate processes in place to evaluate contractor performance and determine, based on actual performance, whether contractors should be considered for potential suspension or debarment. Specifically, we found the IRS did not always evaluate contractor performance or track contracts that have been terminated.

**The IRS did not always
evaluate contractor
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terminated.**

Suspension and debarment procedures should be strengthened

The IRS has no formal process in place to identify contractors that meet the criteria for potential suspension or debarment. The Government Accountability Office has reported that agencies with the most suspension and debarment activity have a dedicated suspension and debarment program, detailed policies and procedures, and practices that encourage an active referral process.¹⁸ IRS Acquisition Policy defines the process for review of any identified potential suspension or debarment risk factors. OCPO stated that to avoid duplication, the IRS relies on suspension and debarment content in the Department of the Treasury Acquisition Procedures for guidance on how contract personnel should structure a referral. However, there is no reference to this content in the IRS Acquisition Policy. There is also no subject matter expert or centralized resources available to assist contracting personnel with researching suspension and

¹⁵ 48 C.F.R. § 42.15, *Contractor Performance Information* (October 2019).

¹⁶ 48 C.F.R. § 9.105-2, *Determinations and documentation* (October 2019).

¹⁷ The IRS automated its process in May 2019 by implementing the Contractor Responsibility Determination Bot, which is intended to be used by contracting officers to conduct their contractor responsibility determinations. We did not validate the accuracy of Contractor Responsibility Determination Bot data in this audit.

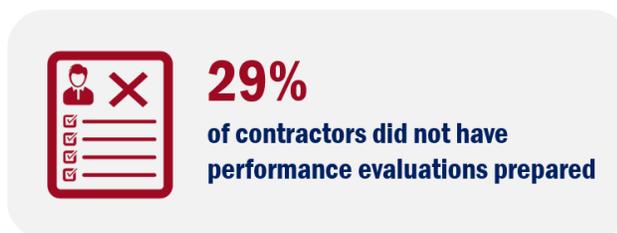
¹⁸ Government Accountability Office, GAO-13-707T, *SUSPENSION AND DEBARMENT, Characteristics of Active Agency Programs and Governmentwide Oversight Efforts* p. 3 (June 2013).

debarment factors or how to make a referral. In addition, OCPO personnel stated that there is external suspension and debarment training available for staff, but this training is not required.

Because the IRS does not have a formal process to identify contractors that meet the criteria for potential suspension and debarment, we attempted to identify contractors that may have met the criteria. We reviewed a judgmental sample of 37 of 791 completed performance evaluations that included risk factors that could have resulted in a referral for potential suspension or debarment for contracts signed between October 1, 2016, and September 30, 2019.¹⁹ While we did not identify any information that would indicate that a referral was necessary, we were limited in our selection because evaluations were not completed for nearly one-third of the contractors that required an evaluation and terminated contracts were not tracked. The IRS and other Government agencies could unknowingly contract with nonresponsible contractors if suspension or debarment risk factors are not documented.²⁰

Contracting personnel did not complete contractor performance evaluations

We found that the IRS did not prepare a performance evaluation in the CPARS for 115 (29 percent) of 395 contractors.²¹ Each of these contractors had at least one IRS contract that was signed between October 1, 2016, and April 20, 2019, and required an evaluation.²² The Federal Acquisition Regulation requires agencies to monitor their compliance with the past performance evaluation requirements and use the CPARS metric tools to measure the quality and timely reporting of past performance information.²³ However, there is no



process in place at the IRS to ensure that evaluations are completed timely. OCPO officials stated that evaluations may not have been completed due to changes in contract personnel or because individual contracts were not registered in the CPARS.

Timely completion of past performance evaluations is necessary to ensure that the IRS and other Federal agencies have current information available regarding a contractor's actions and performance under previously awarded contracts. Without relevant past performance information (including the ratings and supporting narratives), future contracts may be awarded to potentially nonresponsible contractors.

In addition, Treasury guidance requires that IRS contracting personnel oversee and monitor procurement transactions for indications of fraud or for behavior that would indicate grounds for suspension or debarment, and notify the Inspector General and the office of the Treasury

¹⁹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

²⁰ A prospective contractor can be determined to be nonresponsible for a variety of reasons, including a history of criminal, civil, or administrative proceedings in connection with the award or performance of a Government contract, current or recent serious deficiencies in contract performance, or a failure to demonstrate integrity and business ethics.

²¹ We identified unique contractors using the Data Universal Numbering System number. The number is a unique nine-digit identification number provided by Dun & Bradstreet that is site-specific. Therefore, each distinct physical location of an entity (such as branches, divisions, and headquarters) may be assigned a separate number.

²² Contracts over the Simplified Acquisition Threshold require an evaluation.

²³ 48 C.F.R. § 42.15, *Contractor Performance Information* (October 2019).

Suspension and Debarment Official when indications of fraud or lack of responsibility exist.²⁴ Incomplete performance evaluations could result in a lack of referral for potential suspension or debarment for contractors that may lack present responsibility.

The IRS does not have a process in place to accurately track termination information

OCPO officials were unable to identify a consolidated list of contracts that had been terminated between October 1, 2016, and September 30, 2019. We found that the termination status of 26 contract records were not accurately reported in the FAPIIS module of the CPARS, incorrectly reported in CPARS evaluations, or unknown. This includes:

- 1 contract terminated by the IRS for default that was not reflected in the FAPIIS module of the CPARS. The IRS Contracting Officer indicated that the contractor was not referred for potential suspension or debarment because the inability to perform did not appear to be willful or deliberate. TIGTA's review did not identify any information in the termination documentation that would indicate that a referral was necessary.
- 20 contract evaluations that incorrectly identified contracts as terminated for cause or default.²⁵
- 5 contracts that were identified as terminated for default in contract evaluations, however OCPO officials were not able to provide any additional information regarding the terminations despite multiple requests by TIGTA for information. These five contracts were not reported as terminated in the FAPIIS. TIGTA's review of performance evaluations for these five contracts did not identify risk factors warranting referral for potential suspension or debarment.

The Federal Acquisition Regulation requires agencies to ensure that information is accurately reported in the FAPIIS module of the CPARS within three calendar days after a contracting officer issues a final termination for cause or default notice.²⁶ The IRS does not have a process in place to ensure the accuracy of termination details in the FAPIIS module. Inaccurate termination information can make it more challenging to identify actual terminations. In addition, initiating a termination record in the FAPIIS module is a manual process and is subject to human error. The IRS and other Federal agencies rely on the termination information in the FAPIIS regarding contractor performance and integrity in order to make the responsibility determination during the contract source selection process. Without this information, there is a risk that Government funds may be wasted on awarding contracts to contractors that have unethical business practices or that cannot meet the contract terms.

The Chief Procurement Officer should:

Recommendation 1: Appoint a designated point of contact to be responsible for the IRS suspension and debarment process, including updating guidance for potential suspension and debarment referrals, and coordinating with IRS contracting officers, the Treasury Inspector General for Tax Administration, and the Treasury Suspension and Debarment Official for a potential referral, if necessary.

²⁴ Treasury Directive 12-12, *Procurement and Non-Procurement Suspension and Debarment* (August 2012).

²⁵ These 20 evaluations relate to 14 contracts. Some contracts had more than one evaluation.

²⁶ 48 C.F.R. § 42.15, *Contractor Performance Information* (October 2019).

**Improvements Are Needed to Identify Contractors
Meeting the Criteria for Potential Suspension or Debarment**

Management's Response: The IRS agreed with this recommendation and plans to update the IRS Acquisition Policy and Procedures Guidance Information to link directly to Treasury Directive 12-12, provide further guidance to contracting personnel on the process for referral and coordination, and identify the OCPO Policies and Procedures Section as the designated point of contact for the IRS suspension and debarment process.

Recommendation 2: Establish a process to monitor compliance with past performance evaluation requirements to provide reasonable assurance that IRS contracting personnel prepare evaluations of contractor performance for each contract that requires an evaluation.

Management's Response: The IRS agreed with this recommendation and plans to have OCPO's Analytics, Research & Technology Division analyze data from CPARS and PPS semi-annually to monitor compliance with evaluation requirements. This data will be provided in a report to the Chief Procurement Officer.

Recommendation 3: Develop detailed policies and procedures to accurately track contract termination status, and provide reasonable assurance that the FAPIIS and the CPARS accurately reflect contract termination information within the time frame specified by the Federal Acquisition Regulation.

Management's Response: The IRS agreed with this recommendation and plans to develop policies and procedures to accurately track contract termination status and provide reasonable assurance that the FAPIIS and CPARS accurately reflect contract termination information within the time frame specified by the Federal acquisition Regulation. The OCPO also plans to communicate the importance of data input as it relates to CPARS and FAPIIS to ensure contract termination status is properly identified.

Recommendation 4: Require that contracting personnel complete training on the processes to identify and refer contractors that meet the criteria for potential suspension and debarment and accurately track terminated contracts.

Management's Response: The IRS partially agreed with this recommendation and plans to provide a link to the Defense Acquisition University virtual one-hour training course (CLC065) on Suspension and Debarment. In addition, the OCPO plans to include this as a topic for future "just-in-time" training sessions and information for contracting personnel and will request the TIGTA Procurement Fraud Division provide annual refresher information to OCPO personnel on "what to look for" for potential fraud.

Office of Audit Comment: While the corrective action does not address the need for training to accurately track terminated contracts, the IRS's response to Recommendation 3 will address the intent of the training.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine if the IRS has sufficient controls in place to prevent contractors that have been suspended or debarred from receiving contracts and whether the IRS has an effective process to identify and refer contractors that meet the criteria for suspension or debarment. To accomplish our objective, we:

- Obtained and reviewed procedures to prevent contracts from being awarded to suspended or debarred contractors and to identify and refer contractors for potential suspension or debarment.
- Determined whether contracts were awarded to contractors between October 1, 2016, and September 30, 2019, that were suspended or debarred.
- Determined how many suspension and debarment referrals were made between October 1, 2016, and September 30, 2019.
- Matched data in the PPS system to data in the CPARS for contractors that required an evaluation to determine if evaluations were prepared for contracts signed between October 1, 2016, and April 20, 2019.
- Reviewed a judgmental sample of 37 of 791 performance evaluations for risk factors that could have resulted in a referral for potential suspension or debarment.¹ These 791 completed evaluations were for contracts signed between October 1, 2016, and September 30, 2019. A judgmental sample was selected to identify evaluations that included the highest risk for factors that could have resulted in a referral for potential suspension or debarment. We based our selection on evaluation ratings, whether a contract had been terminated for cause or default, and whether the contractor would be recommended for similar requirements in the future.
- Requested a list of terminated contracts and the reason for termination, and compared that information to CPARS data.
- Interviewed the IRS contracting personnel responsible for awarding and administering IRS procurement contracts with risk factors for potential suspension or debarment.

Performance of This Review

This review was performed with information obtained from the OCPO located in Washington, D.C., during the period August 2020 through February 2021. 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.

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment

Major contributors to the report were Heather Hill, Assistant Inspector General for Audit (Management Services and Exempt Organizations); Troy Paterson, Director; Mindy Dowdy, Audit Manager; Zachary Orrico, Lead Auditor; and Rick Choksi, Auditor.

Validity and Reliability of Data From Computer-Based Systems

We performed tests to assess the reliability of data from the SAM, the IRS PPS system, and the IRS CPARS. We evaluated the data by (1) matching SAM contractor data with IRS contracts data in the PPS system, (2) matching IRS contracts data in the PPS system with CPARS contract data, (3) matching IRS CPARS Ad-Hoc report data with the IRS CPARS Status report, and (4) performing electronic testing of required data fields. We determined that the data were sufficiently reliable for the purposes of this report.

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: OCPO and IRS policies and procedures to prevent contracts from being awarded to suspended or debarred contractors and to identify and refer contractors for potential suspension or debarment. We evaluated these controls by comparing IRS contracts awarded between October 1, 2016, and September 30, 2019, to the SAM exclusion data, judgmentally selecting and reviewing performance evaluations for risk indicators that may have warranted a referral, and interviewing the IRS contracting personnel responsible for awarding and administering IRS procurement contracts.

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; 26 contract records with incorrect or unknown termination status in CPARS (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

As part of our judgmental sample of 37 of 791 completed performance evaluations for contracts signed between October 1, 2016, and September 30, 2019, we found that the termination status of 25 contract records was incorrectly reported in CPARS evaluations, or was unknown.¹ In addition, the IRS identified one contract that was terminated for default but not entered into the FAPIIS module of the CPARS.

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

Management's Response to the Draft Report



OFFICE OF THE
CHIEF PROCUREMENT OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

May 14, 2021

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Shanna R. Webbers Shanna R. Webbers Digitally signed by Shanna R. Webbers
Date: 2021.05.14 11:27:09 -04'00'
Chief Procurement Officer

SUBJECT: Draft Audit Report – Improvements Are Needed to Identify
Contractors Meeting the Criteria for Potential Suspension or
Debarment (Audit #202010021)

Thank you for the opportunity to review and comment on the subject draft report and address the observations with the audit team. The IRS appreciates all opportunities to improve internal controls and processes related to the reliability of information.

We continue to make improvements to the consistency and reliability of information and processes. The IRS has processes in place to prevent contractors that have been suspended or debarred from entering into contracts with the IRS, and we appreciate Treasury Inspector General for Tax Administration's (TIGTA) verification in their review that the IRS did not enter into any new contracts, or exercise options on any ongoing contracts with contractors that had been suspended or debarred.

We agree with the outcome measure and will evaluate the recommendations and implement them as noted. Our corrective action plan for the recommendations identified in the report is attached.

The IRS values your continued support and the assistance your organization provides. If you have any questions, please contact me or Truline Rodgers, Office of Procurement Policy, Quality Assurance Section Chief.

Attachment(s) 1

**Improvements Are Needed to Identify Contractors
Meeting the Criteria for Potential Suspension or Debarment**

2

Attachment

RECOMMENDATION 1

The Chief Procurement Officer should appoint a designated point of contact to be responsible for the IRS suspension and debarment process, including updating guidance for potential suspension and debarment referrals, and coordinating with IRS contracting officers, Treasury Inspector General for Tax Administration, and the Treasury Suspension and Debarment Official for a potential referral, if necessary.

CORRECTIVE ACTION

IRS agrees with this recommendation. Treasury Directive (TD) 12-12 Section (4)(b) – Responsibilities – provides guidance and instruction on the referral process. The Internal Revenue Acquisition Procedures (IRSAP) intentionally does not duplicate the Department of the Treasury Acquisition Procedures (DTAP) which references TD 12-12 in DTAP 1009.406-3 and 1009-407-3 specifically on investigation and referral procedures for suspension and debarment. The IRSAP and Procedures Guidance and Information (PGI) will be updated to link directly to TD 12-12, provide further guidance to contracting personnel on the process for referral and coordination, and identify the Office of the Chief Procurement Officer (OCPO), Policies and Procedures Section as the designated point of contact for the IRS suspension and debarment process.

IMPLEMENTATION DATE

December 15, 2021

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

The IRS OCPO staff currently follows established procedures and will update the Joint Audit Management Enterprise System to indicate this action is complete.

RECOMMENDATION 2

The Chief Procurement Officer should establish a process to monitor compliance with past performance evaluation requirements to provide reasonable assurance that IRS contracting personnel prepare evaluations of contractor performance for each contract that requires an evaluation.

CORRECTIVE ACTION

IRS agrees with this recommendation. The process to complete past performance evaluations in the Contractor Performance Assessment System (CPARS) is established in the Federal Acquisition Regulations (FAR) Part 42.15, DTAP 1042.15, IRSAP 1042.15, and IRSAP PGI 42.15. OCPO's Analytics, Research & Technology Division (ART) will perform analysis by combining data from CPARS and Procurement for Public Sector (PPS) to monitor compliance with evaluation requirements. This data will be analyzed semi-annually and provided in a report to the Chief Procurement Officer.

**Improvements Are Needed to Identify Contractors
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3

The reports will identify the evaluations that are due, and the Bureau Focal Points will communicate the status of the required actions to IRS personnel responsible for completing evaluations. CPARS resources and guidance for completing evaluations are located on the Office of the Chief Procurement Officer's (OCPO) Policy Framework to include: Basic Workflow, Focal Point Listing, Evaluation Input Form, Evaluation Ratings Definitions, and Instructions for properly completing a rating in CPARS.

IMPLEMENTATION DATE

December 15, 2021

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

The IRS OCPO staff currently follows established procedures and will update the Joint Audit Management Enterprise System to indicate this action is complete.

RECOMMENDATION 3

The Chief Procurement Officer should develop detailed policies and procedures to accurately track contract termination status and provide reasonable assurance that the FAPIIS and the CPARS accurately reflects contract termination information within the timeframe specified by the Federal Acquisition Regulation.

CORRECTIVE ACTION

IRS agrees with this recommendation. OCPO will develop policies and procedures to accurately track contract termination status and provide reasonable assurance that the FAPIIS and the CPARS accurately reflects contract termination information within the timeframe specified by the Federal Acquisition Regulation. OCPO will communicate the importance of data input as it relates to CPARS and FAPIIS to ensure contract termination status is properly identified.

IMPLEMENTATION DATE

December 15, 2021

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

The IRS OCPO staff currently follows established procedures and will update the Joint Audit Management Enterprise System to indicate this action is complete.

**Improvements Are Needed to Identify Contractors
Meeting the Criteria for Potential Suspension or Debarment**

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RECOMMENDATION 4

The Chief Procurement Officer should require that contracting personnel complete training on the processes to identify and refer contractors that meet the criteria for potential suspension and debarment and accurately track terminated contracts.

CORRECTIVE ACTION

IRS partially agrees with this recommendation. The causes for debarment and suspension are listed in the Federal Acquisition Regulation (FAR) Parts 9.406-2 and 9.407.2 respectively and in other sections under FAR Part 9. Contracting personnel should initially seek guidance from the FAR for the process to identify and refer contractors meeting criteria for potential suspension and debarment. With respect to training, the Department of Justice presented a session on Anti-Trust Fraud to OCPO on May 4, 2021, to highlight current fraudulent practices, and OCPO will provide a link on the to the Defense Acquisition University virtual 1-hour training course (CLC065) on Suspension and Debarment. In addition, the OCPO will include this as a topic for future “just-in-time” training sessions and information for contracting personnel and will request the TIGTA Procurement Fraud Division provide annual refresher information to OCPO personnel on “what to look for” for potential fraud.

IMPLEMENTATION DATE

December 15, 2021.

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

The IRS OCPO staff currently follows established procedures and will update the Joint Audit Management Enterprise System to indicate this action is complete.

Abbreviations

CPARS	Contractor Performance Assessment Reporting System
FAPIIS	Federal Awardee Performance and Integrity Information System
IRS	Internal Revenue Service
OCPO	The Office of the Chief Procurement Officer
PPS	Procurement for Public Sector
SAM	System of Award Management
TIGTA	Treasury Inspector General for Tax Administration



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