

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Select Post-Award Financial Management and Documentation Controls for Information Technology Service Contracts Need Improvement

August 9, 2021

Report Number: 2021-20-046

HIGHLIGHTS: Select Post-Award Financial Management and Documentation Controls for Information Technology Service Contracts Need Improvement

Final Audit Report issued on August 9, 2021

Report Number 2021-20-046

Why TIGTA Did This Audit

This audit was initiated to assess the effectiveness of select post-award activities of information technology service contracts.

Impact on Taxpayers

The mission of the Office of the Chief Procurement Officer is to deliver top-quality acquisition services to ensure that the IRS can meet its mission of effective tax administration. Within the Office of the Chief Procurement Officer, the Office of Information Technology Acquisitions is responsible for managing the procurement of information technology products and services, and ensuring that the IRS acquires them for the best value, within budget, and in a timely manner. It is also responsible for ensuring that the information technology acquisition process is managed properly and efficiently, and is conducted with integrity, fairness, and openness. As stewards of taxpayer dollars, the IRS must ensure that it only pays for the procured products and services as authorized and delivered under contract.

What TIGTA Found

All invoices reviewed met minimum Federal Acquisition Regulation standards. However, a portion of receipt and acceptance documentation supporting invoice payments was not readily available for review. Based on a stratified statistical sample of 190 payments from a population of 12,109 information technology service contract invoice payments made between October 1, 2018, and June 30, 2020, the IRS was unable to provide all of the necessary supporting documents requested for 73 invoice payments. Projecting the results to the total population of information technology service contracts, TIGTA estimates that the IRS may not have properly maintained sufficient receipt and acceptance documentation to support 6,502 invoice payments.

In addition, financial management controls over invoice and interest payments need improvement. The IRS misreported \$7,469,962 in the Federal Procurement Data System and potentially spent \$893,804 more than the total award amount of approximately \$139.05 million for 11 information technology service contracts. While the IRS correctly calculated late payment interest penalties totaling \$141,443 for 1,008 invoices, it miscalculated the late payment interest penalties for 168 invoices. Specifically, the IRS underpaid late payment interest penalties of \$26,200 for 148 invoices and overpaid late payment interest penalties of \$1,664 for 20 invoices.

Further, contracts were not charged to valid expense categories. Specifically, 959 contracts totaling \$726,067,888 were coded to invalid or no longer active material group code and Federal supply code combinations in the Integrated Procurement System and the Procurement for Public Sector application.

What TIGTA Recommended

TIGTA recommended that the Chief Procurement Officer update the contract award and modification dollar amounts reported in the Federal Procurement Data System to reflect the correct amounts and enhance controls to ensure that the correct contract award and modification amounts are consistently reflected throughout each document. TIGTA also recommended that the Chief Financial Officer take reasonable action to address the remaining outstanding underpayments and overpayments of late payment interest penalties identified.

The IRS agreed with the recommendations. The Office of the Chief Procurement Officer plans to validate and update the contract award and modification dollar amounts reported incorrectly in the Federal Procurement Data System, and evaluate and review established policies and procedures as well as the controls in place to ensure that the correct dollar amounts are consistently reflected throughout the documents. The Chief Financial Officer staff completed the evaluation of the remaining outstanding underpayments and overpayments and took action, including necessary additional payments made to contractors and establishing appropriate accounts receivables.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 9, 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 – Select Post-Award Financial Management and Documentation Controls for Information Technology Service Contracts Need Improvement (Audit # 202020027)

This report presents the results of our review to assess the effectiveness of select post-award activities of information technology service contracts. This review is part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Modernizing Internal Revenue Service Operations*.

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

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Danny R. Verneuille, Assistant Inspector General for Audit (Security and Information Technology Services).

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Background

The mission of the Office of the Chief Procurement Officer is to deliver top-quality acquisition services to ensure that the Internal Revenue Service (IRS) can meet its mission of effective tax administration. Within the Office of the Chief Procurement Officer, the Office of Information Technology Acquisitions is responsible for managing the procurement of information technology¹ products and services, and ensuring that the IRS acquires them for the best value, within budget, and in a timely manner.² It is also responsible for ensuring that the information technology acquisition process is managed properly and efficiently, and is conducted with integrity, fairness, and openness. As stewards of taxpayer dollars, the IRS must ensure that it only pays for the procured products or services as authorized and delivered under contract.

The information technology acquisition process begins when the IRS identifies a need for information technology products or services. The requirements are defined by the business unit and the business unit requestor creates a requisition in the Procurement for Public Sector (PPS) application. In October 2017, the IRS started using the PPS application for its acquisition life cycle management. This application provides the means to request, fund, and award contracts and verify receipt and acceptance (R&A) of procured products and services as well as access procurement-related liabilities and payment information. The IRS also uses the PPS application's Folders Management module to electronically store contract awards and other documents that support the R&A of procured products and services. Prior to October 2017, the IRS used the Integrated Procurement System as its acquisition life cycle management system and the electronic Contract File Management tool to store contract documents.

The acquisition life cycle is a documented process of required activities to procure information technology and other products and services. The procurement process includes the following phases.

- 1) Acquisition Planning and Pre-Solicitation Phase – includes the planning and research to identify and obtain requested products or services. This involves conducting market research by collecting and analyzing information about the product or service capabilities to determine whether the procurement satisfies the IRS's needs. This phase also includes developing an acquisition plan³ and soliciting contractor proposals.
- 2) Award Phase – includes evaluating contractor proposals, quotes, or offers, conducting negotiations, and awarding a contract.
- 3) Post-Award Phase – includes contract administration to ensure that the contract is performed, as written, by both the contractor and the Federal Government.

Specifically, the contracting officer and the contracting officer's representative are required to continually monitor the contractor's performance to ensure that contract requirements are met during the post-award phase. A contracting officer is an official of the Federal Government, empowered to execute contracts and obligate Government funds. Once a contract is signed,

¹ See Appendix IV for a glossary of terms.

² Although the Office of Information Technology Acquisitions is responsible for procuring both information technology products and services, our review focused solely on the procurement of information technology services.

³ A plan is required for all acquisitions expected to exceed the simplified acquisition threshold amount of \$250,000.

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the contracting officer delegates management of the contract's post-award activities to a contracting officer's representative, who typically works within the business unit requesting the product or service. The contracting officer's representative, in part, provides technical direction to the contractor;⁴ monitors the contractor's performance against the contract requirements and reports any deviations to the contracting officer; accepts or rejects the contractor's work or deliverables specified in the contract; and documents the associated contract files, *e.g.*, invoice R&A, quality assurance inspection, and R&A documentation, for verification purposes. The contracting officer's representative plays a vital role in affecting the outcome of the contract administration process and must maintain an arm's-length relationship with the contractor.

Contractors are required to submit invoices for work completed or costs incurred. Once a product or service is received, the contracting officer's representative is responsible for performing a quality assurance inspection.⁵ If the contracting officer's representative determines that the product obtained or the service performed satisfies the contract requirements, the contracting officer's representative is to enter the R&A documentation into the PPS application to process the invoice. Upon confirmation of the R&A documentation, a technician within the Office of the Chief Financial Officer's Accounts Payable Financial Operations group determines whether a proper invoice was received. If the technician determines that the contractor provided a proper invoice containing all of the required information, the technician processes the invoice for payment.

Results of Review

To assess the effectiveness of select post-award activities for information technology service contracts,⁶ *e.g.*, invoice R&A, quality assurance inspection, and R&A documentation, we selected and reviewed a stratified statistical sample of 190 payments from a population of 12,109 invoice payments totaling approximately \$2.82 billion, made between October 1, 2018, and June 30, 2020. Some of these invoice payments came from a population of information technology service contracts in which the material group code (MGC) and Federal supply code (FSC)⁷ combinations were valid,⁸ while the remainder came from a population of information technology service contracts in which the MGC and FSC combinations were invalid.⁹

⁴ The contracting officer's representative is responsible for ensuring that all technical directions for the contractor are put in writing to avoid unnecessary costs.

⁵ This responsibility can also be performed by the end user or an individual possessing the knowledge to perform the inspection.

⁶ Our review included the following 10 information technology service subcategories: 1) Acquisition – Tier III Support; 2) Indirect – Category II; 3) Indirect – Category III; 4) Install – Hardware and Software; 5) Install – Other; 6) Install – Tier III; 7) Maintenance – Operations and Automatic Data Processing; 8) Management Consulting; 9) Technical Services – Automatic Data Processing; and 10) Telecommunication. See Appendix I for details on our sampling methodology.

⁷ The FSC is also referred to as the product service code.

⁸ Document 12353, *Financial Management* (April 2020), provides a comprehensive list of valid financial codes and MGC and FSC combinations for use. This document is updated quarterly.

⁹ Invalid combinations could include an incorrect MGC, an incorrect FSC, or both. They could also include combinations that were once valid, but are no longer listed in the current Document 12353 and are now considered inactive.

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The IRS uses MGC and FSC combinations to describe the type of expenses for financial accounting purposes. The business unit requestor selects an MGC that best describes the expense category, and then the contract specialist or contracting officer (if the contracting officer is performing both roles) selects an FSC that corresponds to the MGC. The FSC provides a more detailed description of the expense.

For our stratified statistical sample of 190 information technology service contract invoice payments, we initially selected 96 payments with valid and 94 payments with invalid MGC and FSC combinations for review. However, upon further review of the expense(s) on each invoice, we determined that six of the valid and 67 of the invalid code combinations were not from one of the 10 information technology service subcategories we selected for review. As a result, our sample was reduced to 90 and 27 invoice payments, respectively. Collectively, we reviewed 117 invoice payments.

Invoices Reviewed Met Minimum Federal Acquisition Regulation Standards

We determined that all of the invoices provided for the 117 sampled information technology service contract payments met minimum Federal Acquisition Regulation (FAR)¹⁰ standards. The FAR requires that payment be based upon the receipt of a proper invoice that includes the:

- 1) Contractor name and address.
- 2) Invoice date and number.
- 3) Contract or other authorization number for services performed, including the order and line item numbers.
- 4) Description, quantity, unit of measure, unit price, and extended price of services performed.
- 5) Payment terms.
- 6) Contractor official and address to whom payment is to be sent.
- 7) Name, where practicable, and contact information of the person to notify in the event of an inadequate invoice.

Further, the FAR requires that if an invoice does not comply with these requirements, it must be returned to the contractor within seven calendar days after receipt to be corrected. The FAR also provides agencies discretion on whether to require the following two additional elements as part of a proper invoice:

- 8) Taxpayer Identification Number.
- 9) Banking information for electronic funds transfer.

The Office of the Chief Financial Officer's desk procedures, *Chapter 2.10 Accounts Payable, Audit of Invoice*,¹¹ provide that invoices sent directly to the IRS must contain the Taxpayer Identification Number, either on the invoice or in any attached supporting documentation.¹²

¹⁰ 48 C.F.R. § 32.905, *Payment Documentation and Process* (Aug. 2018).

¹¹ Dated Sept. 2018.

¹² There is no requirement that "Banking information for electronic funds transfer" be included on invoices sent directly to the IRS.

However, for invoices submitted through the Federal Reserve Bank's Invoice Process Platform, neither the Taxpayer Identification Number nor the banking information are required.

In addition, the IRS requires that all invoices be electronically submitted through the Invoice Process Platform unless a waiver is granted to the contractor. Waivers may be granted if invoice submission through the Platform would impose hardship to the contractor due to a geographic, language, or literacy barrier; undue financial burden; previous invoices were sent directly to the IRS and it is not cost effective to change the invoice submission process, *etc.* Using the sample of invoice payments, we determined that contractors were required to submit an invoice via the Platform for all but four payments for which the contractors received waivers or had contract awards prior to the Platform's implementation. For these four payments, contractors sent paper invoices.

Sampled Invoice Payments Could Not Be Fully Verified Due to Insufficient Receipt and Acceptance Documentation

The IRS lacks effective management controls over select post-award activities of information technology service contracts to ensure that invoices are properly verified and supported. The IRS risks making improper payments if invoices are not fully verified and supporting documentation is not maintained. The IRS's inability to provide complete R&A documentation for over one-third of our sample impaired our ability to provide independent oversight and attest that taxpayer dollars spent are properly supported and fraud is not being committed.

Without adequate supporting documentation, independent oversight is impaired and taxpayer dollars could be at risk.

Of the R&A documentation provided for our sample, we determined that the invoices were appropriately verified and supported for 44 payments. For 73 invoice payments, we could not make this determination because the IRS was unable to provide all of the necessary supporting documentation requested. Projecting our sample results to the total population of information technology service contracts, we estimate that the IRS may not have properly maintained sufficient R&A documentation to support 6,502 invoice payments made between October 1, 2018, and June 30, 2020.¹³

For our analysis, we initially accessed the Folders Management module to obtain the respective contract, modification(s), and supporting R&A documentation¹⁴ to determine whether post-award activities ensured that invoices for information technology service contracts were appropriately verified prior to being paid. However, we were unable to locate any of these documents in the Folders Management module because they are not organized in a manner

¹³ Our sample was selected using a 95 percent confidence level, a 5 percent error rate, and ± 5 percent precision factor. When projecting the results of our stratified statistical sample, we are 95 percent confident that the actual total number is between 5,549 and 7,454 invoice payments that were not supported by adequate R&A documentation.

¹⁴ R&A documentation can include a *COR [Contracting Officer's Representative] and Technical Point of Contact Checklist*, an e-mail, or other documentation acknowledging the service or product provided was received and meets the requirements as specified in the contract.

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that can easily be identified by either using file naming conventions or specific folders as an organizational tool.

Consequently, on September 24, 2020, we sent an initial request to the IRS asking for documentation supporting a portion of the sampled invoice payments. From our initial request, the IRS provided some documents for 19 of 46 invoice payments, of which only three payments included R&A documentation.

On October 22, 2020, we became concerned with the pace and the limited number of documents the IRS had provided. As a result, we met with Office of Information Technology Acquisitions and Information Technology organization personnel to clarify and explain the specific documents we had requested. We subsequently requested the remaining invoice payment documents on November 2, and 12, 2020, followed by additional meetings to further clarify and explain our documentation requests. Despite these efforts, we continued to experience delays. In total, we gave the IRS more than three months after our initial request to provide the supporting documentation for our sampled invoice payments.

Office of Information Technology Acquisitions and Information Technology organization personnel estimated that they spent more than 490 hours trying to locate the requested documentation. While some documents were found in the Folders Management module, others were found on shared electronic file storage locations, on the computers of the contracting officer or the contracting officer's representatives, or by asking the contractor to provide a copy of the document, *e.g.*, contract modification. In spite of these efforts, the IRS was able to provide only a limited number of documents for our sample of invoice payments.

Our finding on the insufficient procurement documentation is consistent with similar findings in previous Treasury Inspector General for Tax Administration (TIGTA) reviews. In August 2016, we reported¹⁵ that the IRS generally did not follow controls to ensure that files for information technology contracts included all post-award documents as required. We determined that 11 of the 14 contract files selected for review were incomplete. Then in June 2019, we reported¹⁶ that pre-solicitation and award documents were not readily accessible or were missing from contract files for information technology hardware and software contracts. During this review, we did not initially find 329 of the 470 required documents for 43 contract awards and 22 executed delivery orders that should have been stored in the Folders Management module as required. Through additional research, the IRS subsequently provided 291 of the missing documents, leaving 38 documents not found. Projecting our sample results to the population, we estimated that 91 pre-solicitation and award documents were missing.

However, our finding differs significantly from the Office of the Chief Financial Officer's Program and Process Review (PPR) group's invoice quality reviews. The PPR group randomly selects 200 invoices for review each quarter. For the same period as our review, the PPR group reported that R&A documentation was sufficient to support the payment for 1,186 of its

¹⁵ TIGTA, Report No. 2016-20-035, *Improvements Are Needed for Information Technology Contract Administration Controls to Mitigate Risks* p. 13 (Aug. 2016).

¹⁶ TIGTA, Report No. 2019-20-038, *Controls Over Information Technology Procurements Need Improvement* p. 7 (June 2019).

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1,400 selected invoices.¹⁷ The PPR group found that R&A documentation was insufficient or had no documentation to support the payment of 214 selected invoices.¹⁸

Our results may differ in part from that of the PPR group due to the currency, timing, scope, and depth of the reviews. The PPR group performs a monthly review of invoices that were submitted in the prior month and reports the results quarterly. Our review was performed up to more than two fiscal years after the invoices were submitted. In addition, the PPR group's reviews focus primarily on R&A documentation of all IRS procurements, *i.e.*, products and services, and do not specifically cross-reference the contract line item number (CLIN) from the invoice to the contract or modification unless there is conflicting or inconsistent information. The CLIN provides a description of the service as authorized in the contract or modification and as an expense billed in the invoice. In contrast, our review primarily focused on cross-referencing the CLINs and the description of the service from the invoice to the specific contract or modification as well as the information technology service contract R&A documentation if available, to ensure that the services billed were authorized, supported, and that contract requirements were met prior to the invoice payment. Given the different scope and approach, we are unable to make a comparison on the results between the two reviews.

The FAR¹⁹ requires that files be maintained at an organizational level to ensure effective documentation of contract actions, *e.g.*, contract, modification(s), invoices, R&A documentation, and payments²⁰ are readily accessible and conform with agency guidelines for file location and maintenance. In addition, IRS Acquisition Policy Procedures, Guidance, and Information 1046.90, *Receipt and/or Acceptance/Quality Assurance*,²¹ requires the contracting officer's representative, end user, or third party to maintain documentation of receipt, which can be in the form of generated reports or e-mails from the contracting officer's representative, end user, third party, or program manager stating that the services were received for the specified period of performance as required in the contract. It also requires the contracting officer's representative, end user, or an individual possessing the knowledge to perform a quality assurance inspection of information technology services provided. The quality assurance inspection should address, at a minimum, when the inspection took place, what was inspected, and the results of the inspection.

Further, as of October 3, 2019, Internal Revenue Manual 1.35.3, *Financial Accounting, Receipt and Acceptance Guidelines*,²² provides that R&A documentation should be maintained in the Folders Management module and adequately support the invoice amounts billed. Office of the Chief Procurement Officer personnel stated that prior to this date, the IRS did not specify where the documents should be maintained, only that they needed to be maintained. While we recognize that this guidance only covers part of our review period, the IRS still did not maintain

¹⁷ The period of review is from October 1, 2018, through June 30, 2020, totaling seven quarters. Seven quarters multiplied by 200 invoices per quarter equals 1,400 invoices selected for review.

¹⁸ The PPR group reported that 47 invoices had insufficient documentation and 167 invoices had no documentation provided.

¹⁹ 48 C.F.R. § 4.802, *Contract Files*, and § 4.803, *Contents of Contract Files* (Aug. 2018).

²⁰ If contract files are not maintained at an organizational level, the FAR states that a control should be established to ensure the ability to readily locate the contract files.

²¹ Dated June 28, 2018.

²² Dated March 30, 2020.

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the documentation at an organizational level or ensure that it was readily accessible as required by the FAR.

In addition, business units do not have effective management controls to ensure that sufficient R&A documentation is uploaded to and organized in the Folders Management module. According to Office of the Chief Financial Officer management, Internal Revenue Manual guidelines to maintain R&A documentation in the Folders Management module were written as optional rather than required. Further, Information Technology organization personnel stated that they have experienced technical difficulties with uploading documents into the module. As a result, R&A documentation was not organized in the Folders Management module for ready accessibility or was lost because it was not transferred when personal work computers were replaced or when the contracting officer's representative retired.

Management Action:

Recognizing that insufficient documentation was a concern, the Office of the Chief Financial Officer management stated that they implemented an R&A Supporting Documentation Upload Tool on February 24, 2021. According to an announcement sent to all Integrated Financial System and PPS application users, the Upload Tool provides an automated upload and transfer of supporting R&A documentation with the proper file naming conventions into the appropriate folder in the Folders Management module. Use of the Upload Tool is required for every R&A transaction, and the PPS application will display an error message when supporting documents are not attached. The Upload Tool is expected to improve the timeliness of R&A documentation uploads and subsequent searches for supporting documents.

According to management, upon implementation of the Upload Tool, they discovered two issues that allowed users to bypass the requirement to upload supporting documentation. However, on March 24, 2021, management stated that they made updates to the Upload Tool to correct the identified issues and it is now working as intended. Due to the timing of the Upload Tool's implementation and subsequent updates, we were unable to test its functionality. However, we believe that the implementation of the Upload Tool will help correct the insufficient R&A documentation problem; therefore, we will not make a corresponding recommendation in this report.

Financial Management Controls Over Invoice and Interest Payments Need Improvement

Contract and modification dollar amounts were not always accurately captured and reported, resulting in total payments for some contracts exceeding their award amounts

The IRS misreported \$7,469,962 in the Federal Procurement Data System. Specifically, the IRS overreported \$113,498 for 12 modifications, underreported \$4,071,286 for three base awards and 12 modifications, and did not report \$3,285,178 for two base awards and six modifications.

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In addition, the IRS potentially spent \$893,804²³ more than the total award amount of approximately \$139.05 million for 11 information technology service contracts. We determined that the IRS spent:

Lack of effective financial management controls allowed the IRS to potentially overspend approximately \$894,000 on information technology service contract awards.

- \$24,473²⁴ more on one contract than its contract award amount. Our review of the obligated fund amounts from the base award and each of its modifications generally aligned with the amounts reported in the Integrated Financial System and the Federal Procurement Data System. However, for one modification, both the Federal Procurement Data System and the signed and dated modification supported obligated funds of \$726,881, but the Integrated Financial System showed that the obligated fund amount was \$751,355, which is a difference of the same amount that the IRS overspent.
- \$35 more on another contract than its contract award amount. Our review of contract documentation supported the total award amount of \$266, but the Integrated Financial System showed \$301, accounting for the difference in overspending.

On the remaining nine contracts, the IRS did not provide the necessary documentation to resolve or identify the cause for spending \$869,295 more than the award amounts.

For our analysis, we obtained the IRS's *Fiscal Year 2020 Third Quarter Award Line Item*²⁵ table and identified 2,812 contracts containing information technology services. Upon further review, we excluded 709 contracts because the IRS had not made any payments on them as of November 3, 2020, or the Department of the Treasury was the requestor of the services and outside the scope of this review. We analyzed the remaining 2,103 contracts, totaling a combined award amount of approximately \$5.18 billion.

The FAR²⁶ states that no contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures have been met as well as sufficient funds are available. In addition, the contracting officer shall not execute a contract modification that causes or will cause an increase in funds without having first obtained a certification of fund availability. Only contracting officers acting within the scope of their authority are empowered to execute contract modifications on behalf of the Federal Government.

In addition, Internal Revenue Manual 1.1.32, *Organization and Staffing, Office of the Chief Procurement Officer*,²⁷ states that the Office of the Chief Procurement Officer's Quality Assurance Branch is responsible for conducting reviews of pre-solicitation and post-award procurement actions to ensure that quality standards are implemented and maintained. It is also responsible for ensuring that actions taken and decisions made during the acquisition process are properly documented and approved. In addition, *Internal Revenue Service*

²³ The difference of \$1 between the sum of the individual contracts is due to rounding.

²⁴ The difference of \$1 between the calculation of the two dollar amounts is due to rounding.

²⁵ An electronic file obtained from the PPS application that contains 10,718 IRS contracts as of June 30, 2020.

²⁶ 48 C.F.R. § 1.602, *Contracting Officers*, § 43.102, *Policy*, and § 43.105, *Availability of Funds* (Aug. 2018).

²⁷ Dated August 8, 2018.

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Acquisition Policy,²⁸ provides that the Office of the Chief Procurement Officer's Operation Divisions Directors are responsible for ensuring the timely entry and maintenance of the overall quality of Federal Procurement Data System data.²⁹

However, we do not believe that the existing quality review requirements are completely effective due to the multiple locations where conflicting contract award information is sometimes kept in the procurement documentation. We found instances where the approved dollar amounts within a contract and modification do not always match. For example, in one contract, the summary page states that the award amount was \$7,244,673.41, but the details in the contract provide that the amount is \$6,771,639, a difference of \$473,034.41. In another example, the summary page states that the modification amount increased \$751,001.18, but the details in two areas of the modification support an increase of \$1,868,409.59, a difference of \$1,117,408.41.

Some of these documentation inconsistencies resulted in incorrect dollar amounts to be entered in the PPS application that were subsequently posted to the Federal Procurement Data System and the Integrated Financial System. As a result, the IRS reported inaccurate procurement amounts in the Federal Procurement Data System, which the Federal Government, *e.g.*, the President, Congress, Federal executive agencies, uses to assess how to most effectively and efficiently expend its resources. In addition, the IRS potentially spent more than the total authorized contract award amounts due to incorrect information in the Integrated Financial System. As a result, IRS management does not have important information for effective financial management.

Late payment interest penalties were not always identified or correctly calculated

The IRS did not abide by the Prompt Payment Act³⁰ when it did not identify interest penalties due or miscalculated interest penalties paid to contractors. As a result, the IRS had to pay additional interest penalties for which it may not have budgeted. The Prompt Payment Act sets forth payment requirements that Federal agencies must follow. The Act provides that invoices be paid no later than 30 calendar days after the later of the receipt of a proper invoice or the acceptance of the product or service. For invoices paid after 30 calendar days, interest penalties will be paid and calculated from the day after the payment due date through the payment date. Interest penalties will be based upon the rate established by the Secretary of the Treasury and in effect on the day after the due date.

To determine whether the interest payment process conformed with the Prompt Payment Act, we used the 2,103 contracts containing information technology services identified in the *Fiscal Year 2020 Third Quarter Award Line Item* table. We reviewed all the invoices for the contracts that were paid on or before August 20, 2020,³¹ and the IRS was the requester of the service. Of the 27,075 invoices reviewed, 1,176 invoices totaling approximately \$151.45 million were subject to interest penalties for late payments. We determined that the IRS correctly

²⁸ May 2018 edition, Version 1.0, dated May 18, 2018.

²⁹ This responsibility was transferred to the Director, Office of Information Technology Acquisition and the Director, Office of Business Solutions Acquisitions, on November 30, 2020.

³⁰ Pub. L. No. 97-177, 96 Stat. 85 (1982) (codified as amended at 31 U.S.C. §§ 3901-3907 (2018)).

³¹ We used August 20, 2020, for this test rather than the November 3, 2020, date in the previous finding in which total payments exceeded the award amount because the IRS provided two separate financial data updates that were necessary to conduct each test.

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calculated the late payment interest penalties totaling \$141,443 for 1,008 (85.71 percent) invoices, but also miscalculated or did not identify that late payment interest penalties were due for 168 (14.29 percent) invoices. Specifically, the IRS underpaid late payment interest penalties of \$26,200 for 148 of the 168 invoices³² and overpaid late payment interest penalties of \$1,664 for the remaining 20 invoices.

The IRS miscalculated late payment interest penalties for 168 invoices, resulting in the underpayment or overpayment of nearly \$28,000.

However, the PPR group has a review process that examines all interest penalties for invoice payments made from the previous business day. A financial management analyst reviews the calculations of the penalty amounts to determine if the Integrated Financial System properly calculated the interest. If the interest penalty was underpaid to the contractor, a supplemental payment will be made. Conversely, if the interest penalty was overpaid to the contractor, research is performed to determine if the overpayment can be applied against a current or future invoice. If it cannot be applied and is more than \$25, an accounts receivable is created to collect the overpayment; otherwise, Accounts Payable Financial Operations personnel stated that the overpayment is written off as a loss.

According to PPR group personnel, they already identified and took the necessary steps to make supplemental payments for the underpayments in interest penalties for 90 of the 148 invoices we identified. They also offset against a current or future payment or created an account receivable to collect the interest penalty overpayments for 12 of the 20 invoices prior to our review. We randomly selected 24 of these interest penalty miscalculations and were able to verify that the IRS took the necessary steps to correct them as stated.

In addition, PPR group personnel confirmed our results that interest penalties were miscalculated with information obtained from the Integrated Financial System and the PPS application, and agreed that they had not identified the miscalculations for 58 invoices with interest underpayments and eight invoices with interest overpayments, respectively. For 20 invoices with interest penalty underpayments, PPR group personnel were unable to confirm our results due to current Coronavirus Disease 2019 restrictions on not going into the office, which prevented them from reviewing additional contract records to complete their assessment. All 20 invoice payments were made prior to Fiscal Year 2018 and are associated with contract records that are no longer active and have not been converted to a digital format. Figure 1 presents a summary of the interest penalty calculations.

³² Additional interest does not accrue on interest penalties that are underpaid.

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Figure 1: Analysis of Interest Penalty Calculations³³

Organization	Interest Penalty Underpayment		Interest Penalty Overpayment		Total Interest Penalty Incorrectly Calculated	
	Number of Invoices	Total Penalty Amount	Number of Invoices	Total Penalty Amount	Number of Invoices	Total Penalty Amount
TIGTA – Identified	148	\$26,200	20	\$1,664	168	\$27,864
IRS – Identified	90	\$15,217	12	\$1,610	102	\$16,827
IRS – Not Identified	58	\$10,984	8 ³⁴	\$53	66	\$11,037

Source: TIGTA calculation and analysis of interest penalties for information technology service contract invoices paid on or before August 20, 2020.

According to PPR group personnel, the reasons for a miscalculation or not identifying an interest penalty was due to system errors that caused the Integrated Financial System to use incorrect data, *e.g.*, date and interest rate used to calculate the interest penalty, and human error. PPR group personnel stated that the errors were caused by an unprecedented volume of unpaid invoices when the IRS transitioned to the PPS application in October 2017 and after the Federal Government furlough from December 22, 2018, through January 25, 2019, caused a stoppage in invoice payments. When operations resumed, the affect was prolonged due to the large number of backlogged invoice payments that needed to be processed. For example, in the first eight months of Fiscal Year 2019, the IRS processed 745 interest payments, of which 716 (96.11 percent) were directly related to the furlough. Typically, the IRS would have processed 24 to 56 interest payments during the same period.

Management Action:

PPR group personnel stated that the system errors were corrected with subsequent updates to the Integrated Financial System. Therefore, we are not making a corresponding recommendation in this report. We became aware of the system updates towards the end of our review. As a result, we were unable to test their functionality.

The Chief Procurement Officer should:

Recommendation 1: Update the contract award and modification dollar amounts reported incorrectly in the Federal Procurement Data System identified during this review to reflect the correct amounts.

Management’s Response: The IRS agreed with this recommendation. The Office of the Chief Procurement Officer will validate and update the contract award and modification dollar amounts reported incorrectly in the Federal Procurement Data System identified during this review to reflect the correct amounts.

³³ The difference of \$1 between the sum of the IRS individual underpayment and overpayment interest penalty amounts and the “TIGTA – Identified” amount is due to rounding.

³⁴ For seven of the eight invoices totaling \$12, the IRS did not create accounts receivable to collect the overpayments because they were below the \$25 threshold.

Recommendation 2: Enhance controls to ensure that the correct contract award and modification amounts are consistently reflected throughout each document.

Management's Response: The IRS agreed with this recommendation. The policy for the review and approval of contract actions is established in the Department of Treasury Acquisition Procedures and implemented in the IRS Acquisition Procedures and Procedures, Guidance, and Instructions. The Office of the Chief Procurement Officer will further evaluate and review established policies and procedures as well as the controls in place to ensure that the correct contract award and modification amounts are consistently reflected throughout the documents. During this review, any findings to enhance current controls, resulting in an overall improvement to the procurement function, will be implemented by the Policy and Compliance Branch.

Recommendation 3: The Chief Financial Officer should take reasonable action, as deemed appropriate by the extenuating circumstances, to address the remaining outstanding interest underpayments and overpayments identified in this report.

Management's Response: The IRS agreed with this recommendation. On June 24, 2021, the Chief Financial Officer staff completed the evaluation of the remaining outstanding underpayments and overpayments and took action to address items identified in this report. This action included necessary additional payments made to contractors and the establishment of appropriate accounts receivables as outlined in the Accounts Payable desk procedure.

Contracts Were Not Charged to Valid Expense Categories

The IRS charged some contracts to MGC and FSC combinations that are invalid as well as combinations that are no longer active, when the Office of the Chief Financial Officer updated the codes. As a result, some IRS spending amounts reported in the Federal Procurement Data System that the Federal Government uses to assess how to effectively and efficiently expend its resources were miscategorized.

**IRS expenses totaling approximately
\$726.07 million were miscategorized in
the Federal Procurement Data System.**

To identify the population for our review, we used the *Fiscal Year 2020 Third Quarter Award Line Item* table, containing 9,862 funded contracts with 74,274 CLINs of all procurements, e.g., products and services. We excluded 725 contracts with 9,566 CLINs because the Department of the Treasury was the requestor and outside the scope of this review. Upon further review, we determined that 8,619 contracts with 57,947 (89.55 percent) CLINs, totaling approximately \$6.25 billion, were coded to valid MGC and FSC combinations, and 959 contracts with 6,761 (10.45 percent) CLINs, totaling \$726,067,888, were coded to invalid or no longer active MGC and FSC combinations in the Integrated Procurement System and the PPS application.³⁵

³⁵ The sum of the contracts is overstated by 441 contracts because these contracts contained both valid and invalid MGC and FSC combinations.

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Document 12353 provides the MGCs and the FSCs for all administrative accounting and budget documents and records. It requires that all offices follow the specified procedures and prescribed codes. Any changes, additions, or deletions to the financial codes must be submitted to the Associate Chief Financial Officer, Corporate Budget, for approval.

Office of the Chief Procurement Officer management stated that MGC and FSC combinations in the PPS application had not been reconciled and updated in alignment with the current Document 12353 since the IRS started using the PPS application in October 2017.

Document 12353 is updated quarterly. MGC and FSC combinations once valid may no longer be active after the quarterly update. In addition, management stated that when the IRS transitioned to the PPS application, there was a programming "defect," which allowed contract specialists and contracting officers the ability to bypass the FSC options and enter another code, resulting in an invalid MGC and FSC combination. Management also stated that the PPS application has another "defect" that causes it to stall on "very large contracts." This prevents the contract from being processed and finalized unless placed on a "bypass," which avoids some of the PPS application checks. All errors identified by the PPS application should have been resolved prior to requesting the "bypass." A helpdesk ticket to fix the defect was submitted on September 18, 2019, but the issue remains unresolved.

Management Action:

Office of the Chief Procurement Officer management stated that they implemented two corrective actions. First, they modified the PPS application on May 6, 2019, to limit FSC selections based on the MGC selected. In addition, on November 15, 2020, they reconciled and updated the existing MGC and FSC combinations in the PPS application to be in alignment with the current Document 12353. Office of the Chief Procurement Officer management provided a demonstration of the code selection process in the PPS application to support that the control is working as intended.

Recommendation 4: The Chief Procurement Officer should follow up with the Information Technology organization's Applications Development function management and request an expedited resolution of the remaining PPS application defect.

Management's Response: The IRS agreed with this recommendation. On June 30, 2021, the Office of the Chief Procurement Officer followed up with the Information Technology organization's Applications Development function to request an expedited resolution of the remaining PPS application defect.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the effectiveness of select post-award activities of information technology service contracts. To accomplish our objective, we:

- Evaluated the policies and procedures for select post-award activities, *e.g.*, invoice R&A, quality assurance inspection, and R&A documentation, of information technology service contracts as well as interviewed personnel from the Offices of the Chief Financial Officer and Chief Procurement Officer, and the Information Technology organization to determine post-award activities and the payment processes in place, including the management systems used to capture and maintain the data.
- Selected a stratified statistical sample of 190 payments from a population of 12,109 information technology service contract invoice payments made between October 1, 2018, and June 30, 2020. TIGTA's contracted statistician assisted with developing our sampling plan and projections. Our sample was selected using a 95 percent confidence level, a 5 percent error rate, and a ± 5 percent precision factor. We used a statistical sample because we planned to project to the population.

Removed 73 payments from the sample because expenses on each invoice were not from one of the 10 information technology service subcategories selected for review. Reviewed the remaining sample of 117 invoice payments to determine whether information technology service contract invoices were appropriately verified and met minimum FAR standards prior to being paid. However, the IRS's inability to provide complete documentation for over one-third of our sample impaired our ability to provide independent oversight and fully determine whether invoices were appropriately verified prior to being paid.

- Reviewed *Fiscal Year 2020 Third Quarter Award Line Item* table data for invoice payments that were paid on or before August 20, 2020,¹ to determine whether the information technology service contract payment process conformed with the Prompt Payment Act and the payment terms and conditions of the contract, and whether invoice payments exceeded the contract award amounts, including modifications, for all open contracts as of November 3, 2020.

Performance of This Review

This review was performed with information obtained from the Offices of the Chief Financial Officer and Chief Procurement Officer, and the Information Technology organization located at the New Carrollton Federal Building in Lanham, Maryland, during the period June 2020 through May 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

¹ We used August 20, 2020, for this test rather than the November 3, 2020, date because the IRS provided two separate financial data updates that were necessary to conduct each test.

Select Post-Award Financial Management and Documentation Controls for Information Technology Service Contracts Need Improvement

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.

Major contributors to the report were Danny R. Verneuille, Assistant Inspector General for Audit (Security and Information Technology Services); Bryce Kisler, Director; Louis Lee, Audit Manager; David Allen, Lead Auditor; Jason Rosenberg, Senior Auditor; Paula Benjamin-Grant, Auditor; and Kamelia Phillips, Auditor.

Validity and Reliability of Data From Computer-Based Systems

We performed tests to assess the reliability of data from the PPS application and the Integrated Financial System. We evaluated the data by 1) reviewing existing information about the data and the systems that produced them; 2) interviewing agency officials knowledgeable about the data; 3) verifying the criteria used to create the procurement and invoice payment reports; 4) performing electronic testing of required data elements, including all fields requested were received and record counts equaled to what was expected; 5) validating the data to information maintained on the Federal Procurement Data System; and 6) requesting copies of the base award and contract modifications when records were missing from, or when the IRS stated the dollar amounts were incorrectly recorded in, the Federal Procurement Data System. We determined that the data were sufficiently reliable for 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: the Prompt Payment Act, the FAR, and various IRS policies and procedures related to select post-award activities of information technology service contracts. We evaluated these controls by interviewing personnel from the Offices of the Chief Financial Officer and Chief Procurement Officer, and the Information Technology organization concerning the scope and purpose of select post-award activities as well as reviewing a sample of invoice payments and supporting documentation for information technology service contracts.

Outcome Measures

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

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 6,502 information technology service contract invoice payments with inadequate supporting R&A documentation (see page 4).

Methodology Used to Measure the Reported Benefit:

We selected and reviewed a stratified statistical sample of 190 payments from a population of 12,109 information technology service contract invoice payments totaling approximately \$2.82 billion, made between October 1, 2018, and June 30, 2020.

For 73 invoice payments, we could not make a determination because the IRS was unable to provide all of the necessary supporting documents requested, *e.g.*, contract, modification(s), and R&A documentation. Projecting our sample results to the total population of information technology service contracts, we estimate that the IRS may not have properly maintained sufficient R&A documentation to support 6,502 invoice payments.¹

Type and Value of Outcome Measure:

- Reliability of Information – Potential; \$7,469,962 misreported information technology service contract award amounts for five base awards and 30 modifications in the Federal Procurement Data System (see Recommendations 1 and 2).

Methodology Used to Measure the Reported Benefit:

Using the IRS's *Fiscal Year 2020 Third Quarter Award Line Item* table, we determined that the IRS misreported \$7,469,962 in the Federal Procurement Data System. Specifically, the IRS overreported \$113,498 for 12 modifications, underreported \$4,071,286 for three base awards and 12 modifications, and did not report \$3,285,178 for two base awards and six modifications.

Type and Value of Outcome Measure:

- Questioned Costs – Potential; \$893,804 in cost savings had the IRS not overspent the total award amount for 11 information technology service contracts (see Recommendation 2).

¹ Our sample was selected using a 95 percent confidence level, a 5 percent error rate, and ± 5 percent precision factor. When projecting the results of our stratified statistical sample, we are 95 percent confident that the actual total number is between 5,549 and 7,454 invoice payments that were not supported by adequate R&A documentation.

Methodology Used to Measure the Reported Benefit:

Using the IRS's *Fiscal Year 2020 Third Quarter Award Line Item* table, we identified 2,812 information technology service contracts. Upon further review, we excluded 709 contracts because the IRS had not made any payments on them as of November 3, 2020, or the Department of the Treasury was the requestor of the services and outside the scope of this review. We analyzed the remaining 2,103 contracts, totaling a combined award amount of approximately \$5.18 billion, and found that the IRS spent \$893,804 more than the total award amount of approximately \$139.05 million for 11 information technology service contracts. Our analysis identified overspending for both information technology service contracts and Interagency Agreements because the IRS overspent for the information technology services. In addition, the IRS was unable to provide any documentation to support the overspending amounts.

Management's Response to the Draft Report



OFFICE OF THE
CHIEF PROCUREMENT OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

July 23, 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: 2021.07.23 15:47:00 -0400
Chief Procurement Officer

SUBJECT: Draft Audit Report – Select Post-Award Financial Management
and Documentation Controls for Information Technology Service
Contracts Need Improvement (Audit # 202020027)

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 are proud to report that improvements to the consistency and reliability of information and processes include recent automation enhancements to our contract writing system, Integrated Financial Systems-Procurement for Public Sector (IFS-PPS) that will minimize data entry errors. To ensure supporting documentation for invoice payments is easily accessible, a Receipt and Acceptance (R&A) Supporting Documentation Upload Tool was implemented on February 25, 2021. The tool requires supporting documents to be uploaded into the PPS Folders Management module to complete the R&A transaction. It also ensures R&A supporting documentation is searchable and available to support inquiries. As an added internal controls step, a sample of R&A transactions are selected for review each month, which includes evaluating the adequacy of supporting documentation. Results are reported for each business unit in the quarterly Financial Performance Scorecard and any area not meeting identified targets is jointly addressed by the CFO and business unit.

The IRS agrees with all recommendations and our corrective action plan is attached. While we generally concur with all outcome measures, the potential cost savings listed in outcome measure number three, Questioned Costs, may have erroneously included the cost of Interagency Agreements.

**Select Post-Award Financial Management and Documentation Controls
for Information Technology Service Contracts Need Improvement**

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The IRS values your continued support and the assistance your organization provides.
Please call if you have any questions.

Attachment(s): 1

**Select Post-Award Financial Management and Documentation Controls
for Information Technology Service Contracts Need Improvement**

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Attachment

RECOMMENDATION 1

The Chief Procurement Officer should update the contract award and modification dollar amounts reported incorrectly in the Federal Procurement Data System identified during this review to reflect the correct amounts

CORRECTIVE ACTION

IRS agrees with this recommendation. OCPO will validate and update the contract award and modification dollar amounts reported incorrectly in the Federal Procurement Data System identified during this review to reflect the correct amounts.

IMPLEMENTATION DATE

June 15, 2022

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 enhance controls to ensure that the correct contract award and modification amounts are consistently reflected throughout each document.

CORRECTIVE ACTION

IRS agrees with this recommendation. The policy for the review and approval of contract actions is established in the Department of Treasury Acquisition Procedures (DTAP) and further implemented in the IRS Acquisition Procedures (IRSAP) and Procedures, Guidance, and Instructions (PGI). OCPO will further evaluate and review established policies and procedures and the controls in place to ensure that the correct contract award and modification amounts are consistently reflected throughout documents. During this review, any findings to enhance current controls, resulting in an overall improvement to the procurement function will be implemented by the Policy & Compliance Branch.

IMPLEMENTATION DATE

July 15, 2022

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

**Select Post-Award Financial Management and Documentation Controls
for Information Technology Service Contracts Need Improvement**

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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 Financial Officer should take reasonable action, as deemed appropriate by the extenuating circumstances, to address the remaining outstanding interest underpayments and overpayments identified in this report.

CORRECTIVE ACTION

IRS agrees with this recommendation. On June 24, 2021, the Chief Financial Officer (CFO) staff completed the evaluation of remaining outstanding underpayments and overpayments and took action to address items identified in this report. This action included necessary additional payments made to contractors and the establishment of appropriate accounts receivables as outlined in Accounts Payable desk procedure 2.50 AP General – Credit Memos and Accounts Receivable.

IMPLEMENTATION DATE

Implemented June 24, 2021

RESPONSIBLE OFFICIAL

Office of the Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

The IRS CFO staff has completed the evaluation of remaining outstanding underpayments and overpayments and has taken action per established procedures to address items identified in this report. CFO staff will update the Joint Audit Management Enterprise System to indicate this action is complete.

RECOMMENDATION 4

The Chief Procurement Officer should follow up with the Information Technology organization's Applications Development function management and request an expedited resolution of the remaining PPS application defect.

CORRECTIVE ACTION

IRS agrees with this recommendation. On 30 June 2021, Procurement followed up with the Information Technology organization's Applications Development Division to request an expedited resolution of the remaining PPS application defect.

IMPLEMENTATION DATE

Implemented June 30, 2021

RESPONSIBLE OFFICIAL

Office of the Chief Procurement Officer

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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.

Glossary of Terms

Term	Definition
Acquisition Plan	A plan that documents the cost, schedule, and technical, business, and management requirements as well as other considerations and used to govern acquisitions exceeding \$250,000.
Arm's-Length Relationship	Description of an agreement made by two parties freely and independently of each other, and without some special relationship, such as being a relative, having another deal on the side, or one party having complete control of the other.
Base Award	The original written contract prior to any amendments or modifications.
Business Unit	A title for IRS offices and organizations such as the Office of Appeals, the Office of Professional Responsibility, and the Information Technology organization.
Contract Line Item Number	Used to specify the items that are being acquired for traceable accounting classification on Federal Government contracts. Federal agencies use the CLIN structure to report on the funding for contracts that use money from different accounts.
Contract Specialist	Identifies and provides resolution of contracting issues based on the correct interpretation of laws, rules, and regulations.
Coronavirus Disease 2019	A respiratory disease caused by the Severe Acute Respiratory Syndrome Coronavirus-2, a new coronavirus discovered in 2019. The virus is thought to spread mainly from person to person through respiratory droplets produced when an infected person coughs, sneezes, or talks.
Electronic Funds Transfer	The electronic transfer of money over an online network.
Federal Acquisition Regulation	The primary acquisition regulations for use by all Federal executive agencies in their acquisition of supplies and services with appropriated funds.
Federal Procurement Data System	Contains contracting data that provide the Federal Government with information to assess where its money is being spent.
Federal Reserve Bank	The central bank of the United States. It performs functions to help promote the effective operation of the economy.
File Naming Conventions	A systemic method of naming files that will make them easier to locate and retrieve as well as know the content of a file without opening it.
Folders Management Module	A part of the PPS application that stores contract file documents as the IRS's official system of record.

**Select Post-Award Financial Management and Documentation Controls
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Information Technology	Any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by an agency. The term information technology includes computers, ancillary equipment, software, firmware, services (including support services), and related resources.
Integrated Financial System	Contains the IRS's core financial systems, including expenditure controls, accounts payable, accounts receivable, general ledger, and budget formulation. The system includes a managerial cost accounting capability that enables the IRS to make informed and timely performance-based business and budgetary decisions.
Invoice Process Platform	A web-based application used to streamline the submission of invoices for contract awards. It interfaces with the IRS's Integrated Financial System, which receives PPS application contract information in real-time.
Modification	Any formal change to the terms and conditions of a contract, delivery order, or task order, either within or outside the scope of the original agreement.
Requirement	A formalization of a need and the statement of a capability or condition that a system, subsystem, or system component must have or meet to satisfy a contract, standard, or specification.
Requisition	A written request or order for something, such as supplies or services.
Taxpayer Identification Number	A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, it can be an Employer Identification Number, a Social Security Number, or an Individual Taxpayer Identification Number.

Abbreviations

CLIN	Contract Line Item Number
FAR	Federal Acquisition Regulation
FSC	Federal Supply Code
IRS	Internal Revenue Service
MGC	Material Group Code
PPR	Program and Process Review
PPS	Procurement for Public Sector
R&A	Receipt and Acceptance
TIGTA	Treasury Inspector General for Tax Administration



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

(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.