



Highlights of GAO-03-218, a report to the Senate Committee on Finance

Why GAO Did This Study

The Internal Revenue Service (IRS) is in the midst of a massive effort to reorganize its structure and modernize its technology. To help with this effort, IRS obtains services through task orders under its Treasury Information Processing Support Services (TIPSS-2) contracting program. In this study, GAO reviewed the 6 largest competitive task orders that IRS awarded between July 1, 2001 and December 31, 2001 to determine if IRS used price or cost as a selection factor in the award of these task orders.

IRS CONTRACTING

New Procedure Adds Price Or Cost as a Selection Factor for Task Order Awards

What GAO Found

TIPSS-2 is IRS's largest service contracting program, obligating \$543 million to 18 contracts from its beginning in June 2000 to June 20, 2002. Through the award of TIPSS-2 task orders, IRS obtains needed services in the areas of information systems, telecommunications, organizational/management, and operational support. IRS can continue ordering services under TIPSS-2 contracts into 2005.

GAO found that IRS's procedures used in the award of competitive task orders under the TIPSS-2 program did not require contracting officers to consider price or cost as a selection factor in the award of task orders. Although contracting officers could have considered price or cost at their discretion, they did not for 5 of 6 competitive task orders GAO reviewed.

IRS's procedures conformed to the version of the Federal Acquisition Regulation (FAR) that was in effect at the time the TIPSS-2 solicitation was issued. However, since then the FAR was changed. As the timeline below explains, TIPSS-2 procedures conformed to the regulation in effect in 1999, but were not required to conform to the revised regulation.

During our review, IRS developed and implemented a new procedure that provides for the consideration of price or cost as a selection factor for competitive task order awards. Additionally, the TIPSS-2 contract was changed to state that price or cost is a selection factor in the award of competitive task orders.

Timeline of TIPSS-2 program and policy events

Date	Item	Significance
August 1999	Federal Acquisition Regulation (FAR)	Contracting officers should consider price or cost as a selection factor, but are not required to.
September 1999	TIPSS-2 program solicitation	Timing of solicitation issuance places TIPSS-2 under August 1999 regulation.
April 2000	Revised FAR	Contracting officers must consider price or cost as a selection factor.

Source: GAO's analysis.

www.gao.gov/cgi-bin/getrpt?GAO-03-218.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Michael Brostek, Director, Tax Issues, at (202) 512-9039 or brostekm@gao.gov .