



MEMORANDUM

DATE: August 12, 2021

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Follow-Up Audit Report on the Performance Audit of The Pragma Corporation Accounting System Administration (3-000-21-049-I)

This memorandum transmits the final report on the Follow-Up Audit on the Performance Audit of The Pragma Corporation's (Pragma) Accounting System Administration. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified public accounting firm of Booth Management Consulting LLC (BMC) to conduct the audit. The audit firm stated that it performed its follow-up performance audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the adequacy of Pragma's accounting system or its compliance with applicable Federal laws and regulations.¹

The objectives of the follow-up performance audit were to (a) determine whether Pragma has followed up on findings in the performance audit report completed by the previous auditor, dated January 3, 2019 and (b) conclude on the adequacy Pragma's accounting system and, more specifically, whether Pragma's accounting system:

- Adequately accumulates, segregates, and identifies costs under U.S. Government awards
- Allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations.

To answer the audit objectives, BMC designed its methodology to obtain reasonable assurance that the evidence obtained during the audit was sufficient and appropriate to support its conclusion in relationship to the follow-up audit objectives and to reduce audit risk to an acceptable level. BMC conducted this performance follow-up audit, structuring its audit of the adequacy of Pragma's accounting system using the 18 criteria listed in 48 Code of Federal

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Regulations (CFR) 252.242-7006. BMC performed steps to assess the adequacy of internal controls related to the follow-up performance audit objectives. It assessed the design of controls related to the business process and systems relevant to the accounting system, then tested the implementation of properly designed controls. BMC conducted this performance follow-up audit in the following phases:

1. Planning-Assessed the design of Pragma's policies and key internal controls relating to the accounting system criteria.
2. Internal Controls and Testing-Tested the implementation of Pragma's policies and key internal controls.
3. Wrap-up and Reporting-Concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

BMC determined that Pragma has a timekeeping system that identifies employee labor by intermediate or final cost objectives – which resolves *Finding #1 – Monitoring over Employee Timesheets is infrequent or not timely*. Pragma also has a management reviews systems to ensure compliance with the contractor's established policies, procedures, and accounting practices – which resolves *Finding #2 – Improperly Designed and Ineffectively Operating Information System Safeguards*. Thereby resolving the two significant deficiencies identified in the performance audit report completed by the previous auditor, dated January 3, 2019.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).