



MEMORANDUM

DATE: July 18, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Acting Director of External Financial Audits Division, Steven Shea /s/

SUBJECT: Performance Audit of the Pragma Corporation's Accounting System Administration (3-000-19-034-1)

This memorandum transmits the final audit report on the adequacy of the accounting system administration for the Pragma Corporation (Pragma). The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division contracted with the independent certified public accounting firm Kearney & Company, P.C. to conduct the audit. The audit firm stated that the contract required the auditor to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its 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.¹

The audit objectives were to conclude on whether Pragma has established an adequate accounting system and determine whether Pragma's accounting system (1) adequately accumulates, segregates, and identifies costs under U.S. Government awards; and (2) allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations. To answer the audit objectives, the audit firm conducted a performance audit on Pragma's accounting system from June 2018 to December 2018. The audit firm designed its audit in the following three phases: Planning – Assessed the design of Pragma's policies and key internal controls relating to the accounting system criteria; Internal Controls and Testing – Tested the implementation of Pragma's policies

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.

and key internal controls; and 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.

The audit firm concluded that Pragma’s accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards, as well as allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID’s Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees 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”).