



## MEMORANDUM

**DATE:** June 23, 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 Performance Audit on ECODIT, LLC Accounting System Administration (3-000-21-042-1)

This memorandum transmits the final report on the Follow-up Performance Audit of ECODIT, LLC (ECODIT) 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 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 whether ECODIT has corrected prior accounting system audit findings and/or corrected accounting system inadequacies noted in the performance audit report completed by Kearney & Company, dated January 13, 2019.<sup>1</sup>

The objectives of the follow-up performance audit are to (a) determine whether ECODIT, LLC has corrected prior accounting system audit findings and/or corrected accounting system inadequacies findings in the performance audit report completed by Kearney & Company, P.C., dated January 13, 2019, and (b) conclude on the adequacy of the ECODIT, LLC's accounting system and, more specifically, whether ECODIT'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's 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 in February 2021, structuring its audit of the adequacy of ECODIT, LLC's accounting system using the 18 criteria listed in 48 Code of Federal Regulations (CFR) 252.242-7006. BMC performed steps to assess

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<sup>1</sup> 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.

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 ECODIT's policies and key internal controls relating to the accounting system criteria.
2. Internal Controls and Testing-Tested the implementation of ECODIT'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 concluded, based on the evidence obtained and its evaluation of that evidence against the criteria, along with the audit results and its evaluation of those results against audit risk and significance within the context of the audit objectives, that ECODIT's accounting system administration is designed to adequately accumulate, segregate, and identify 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. The audit firm reviewed the control environment and determined through fieldwork, that ECODIT's current accounting practices are sufficient, and controls are properly designed and operating effectively as a whole.

BMC determined that ECODIT has resolved the deficiencies identified in the January 13, 2019, accounting system performance audit report. Specific to the 2019 audit (Significant Control Deficiency) finding #1 – Lack of Documented Review of Accounting System Entries and Reconciliations, BMC stated that ECODIT designed and implemented a new procedure to document the review and approval of journal entries, including the preparation, posting, review, documentation, and approval of the journal entries, therefore, resolving and removing the finding. According to the audit firm, the procedure also addressed the reconciliation of subsidiary ledgers to bank statements, which are reconciled, monthly, and reviewed and approved at different officer levels. The 2019 audit noted a (Significant Control Deficiency) finding #2 – Improperly Designed Information System Safeguards. BMC stated that ECODIT has implemented a new policy and procedures that at a minimum meet FAR 52.201-21 and CFR, Section 252.242-7006, Accounting System Administration. ECODIT has implemented various software to protect the security of all its information systems, as well as works with a professional IT management company to monitor, control, and protect ECODIT's information system. BMC stated that its follow-up audit procedures confirmed the full implementation of the new system related policies and procedures and that ECODIT addressed the finding and there are no open issues.

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”).