



## MEMORANDUM

**DATE:** July 13, 2020

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

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

**SUBJECT:** Examination of Costs Claimed by The Pragma Corporation for the Year Ended December 31, 2014 (3-000-20-054-1)

This memorandum transmits the final examination report on The Pragma Corporation's (Pragma) incurred cost proposals for the year ended December 31, 2014. 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. (Kearney) to conduct the examination. The audit firm stated that it performed its examination in accordance with attestation standards by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the 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 whether costs claimed on in-scope awards and subawards for the year ended December 31, 2014 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Pragma on in-scope awards and subawards for the year ended December 31, 2014 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

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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.

*Requirements for Federal Awards*, as applicable. To answer the examination's objective Kearney designed its testing procedures to evaluate the internal control environment surrounding Pragma's subcontract management process and to verify that Pragma had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$9,904,995 for the year ended December 31, 2014.

Kearney expressed an unmodified opinion that costs claimed by Pragma on in-scope awards and subawards for the year ended December 31, 2014 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. The audit firm questioned USAID direct costs of \$20,526 (\$3,372 ineligible and \$17,154 unsupported). Since the questioned direct costs did not meet the \$25,000 threshold for making a recommendation, we are not making a recommendation. Nevertheless, we suggest USAID/Management/Office of Acquisition and Assistance, Cost Audit and Support Division determine the allowability of the \$20,526 in questioned costs and recover any amount determined to be unallowable. In addition, the audit firm found that Pragma did not claim subcontractor ODCs resulting in underclaimed costs totaling \$160,124. The audit firm also questioned indirect costs of \$2,128. The audit firm did not identify any findings that are required under government auditing standards.

We appreciate the assistance extended during the engagement.

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