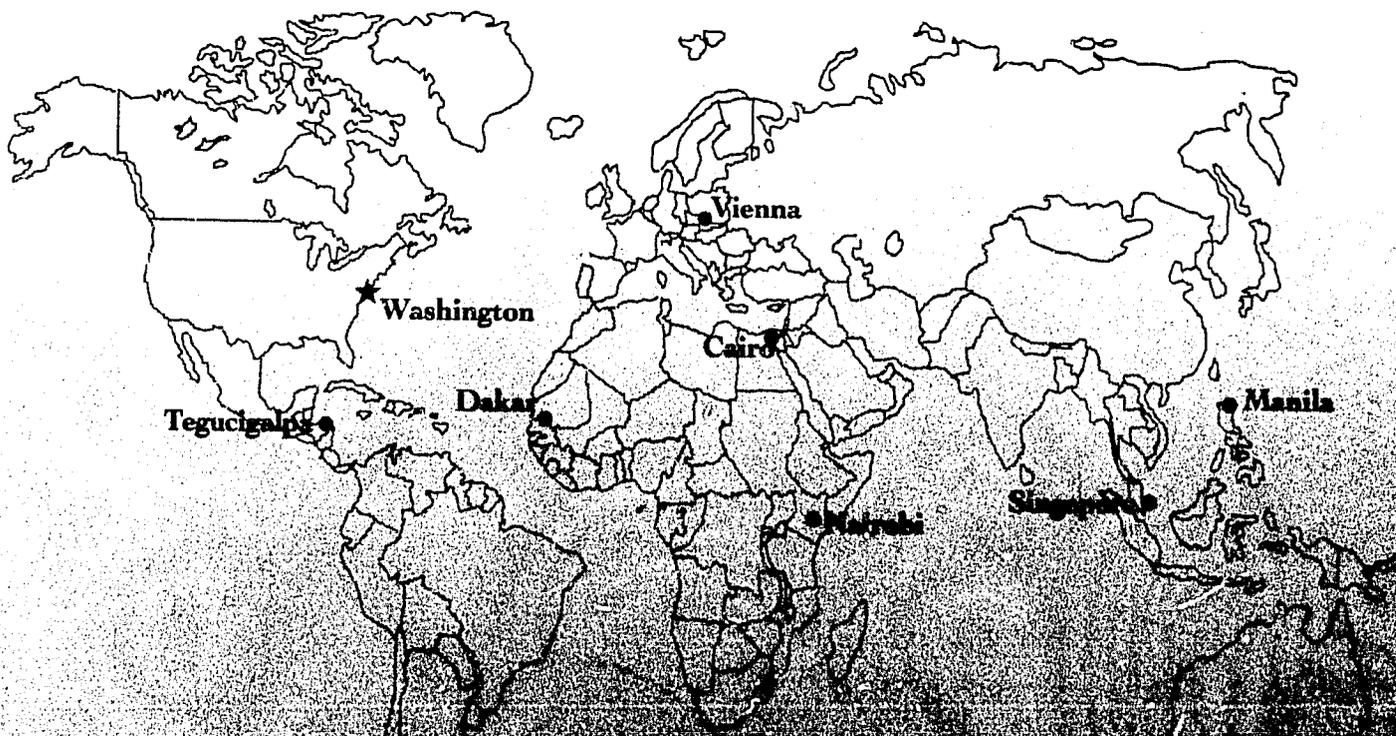


Financial Audits

Audit of
PRAGMA CORPORATION
Federal Contracts
January 1, 1990 to December 31, 1990

Report No. 0-000-93-06-N
February 22, 1993





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 22, 1993

MEMORANDUM FOR FA/OP, Frederick A. Will
FROM: IG/A/FA, *Reginald Howard*
SUBJECT: Audit of Pragma Corporation

The accounting firm of KPMG Peat Marwick performed a financial audit of all A.I.D. contracts with Pragma Corporation (Pragma). Five copies of the report are enclosed for your action.

Pragma provides development services for government agencies and private institutions in the United States and abroad.

KPMG Peat Marwick audited Pragma's direct and indirect costs, totalling \$7.5 million for the period January 1, 1990 to December 31, 1990. These costs were associated with 39 A.I.D. contracts, which included 4 subcontracts.

The audit objectives were to determine whether: the Statement of A.I.D. Contract Expenditures was presented fairly in accordance with contract terms; the internal control structure was adequate; and Pragma had complied with A.I.D. contract provisions and applicable laws and regulations.

KPMG Peat Marwick issued a qualified opinion on Pragma's Statement of A.I.D. Contract Expenditures. The qualified opinion was issued because the auditor was unable to satisfy himself as to the allowability of approximately \$415,000 in subcontractor costs. Except for the effect that these subcontractor expenses would have on the Statement of A.I.D. Contract Expenditures, KPMG Peat Marwick stated that the Statement of A.I.D. Contract Expenditures presents fairly, in all material respects, the A.I.D. contract expenditures of Pragma for the period January 1, 1990 through December 31, 1990.

The audit disclosed questioned costs of \$5,967 (\$5,948 potentially ineligible and \$19 unsupported). With respect to Pragma's internal control structure and compliance with contract provisions and applicable laws and regulations, the auditors did not identify any material findings. The audit also determined indirect cost rates for the period January 1, 1990 to December 31, 1990.

We are including two recommendations in the Office of the Inspector General's audit recommendation system:

Recommendation No. 1: We recommend that the Agency's Office of Procurement (FA/OP) resolve the \$5,967 in questioned costs (\$5,948 ineligible and \$19 unsupported) identified in the audit report. (report, page 14)

Recommendation No. 2: We recommend that the Agency's Office of Procurement (FA/OP) finalize the indirect cost rates with Pragma Corporation for the period January 1, 1990 through December 31, 1990. (report, Appendix I)

Within 30 days, please provide this office with the status of actions planned or taken to resolve and close the recommendations.

Audit of
USAID Contract Expenditures of
PRAGMA CORPORATION
January 1 1990 to December 31, 1990
(With independent auditors' report thereon)

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PRAGMA CORPORATION

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Director, IG/A/FA
Agency for International Development
Washington, D.C. 20523

Dear Director:

This report presents the results of our audit of the USAID contract expenditures of Pragma Corporation (Pragma) for the period January 1, 1990 to December 31, 1990.

BACKGROUND

The Pragma Corporation was established in 1977 to provide development services in the United States and abroad for governmental agencies and private institutions.

Pragma has approximately thirty-five to forty contracts with USAID. The objectives of these contracts vary widely from contract to contract. For example, Pragma has a USAID contract to help Guatemalan students study abroad, a contract to help with famine relief in Zaire, and a contract to strengthen Kenya's leadership for national development, as well as many others.

AUDIT OBJECTIVES AND SCOPE

The objective of the audit was to perform a cost and compliance audit of Pragma's USAID contracts for the period January 1, 1990 to December 31, 1990.

We were to perform our work in accordance with Generally Accepted Auditing Standards and the Comptroller General's "Government Auditing Standards" (1988 Revision) and, accordingly, include such tests of the accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The Statement of USAID Contract Expenditures presents fairly Pragma's USAID contract expenditures from January 1, 1990 to December 31, 1990, according to the terms of the contracts, identifying unsupported costs or those not considered appropriately allocable or allowable under the contracts.
2. Pragma's internal control structure was sufficient to capture data under the contracts and was adequate for the contracts' purposes.
3. Pragma complied with the terms of the contracts and applicable laws and regulations.



The major audit procedures conducted during our work to meet the audit objectives consisted of:

Salaries

Analyzing employees' salaries individually to verify salary increases were in accordance with the terms of the contracts.

Examining employees' timesheets on a selected basis to determine the propriety of the salaries charged to the contracts.

Other Direct Costs

Examining supporting documentation for selected expenses to determine allowability of expenditures and compliance with the terms of the contracts, applicable laws and regulations.

Fringe Benefit and Indirect Costs

Examining supporting documentation for selected expenses to determine that items selected were properly included in the applicable cost pools and expenses were properly supported.

Internal Control Review

Study and evaluate Pragma's internal control structure relative to the USAID contracts in order to assess the control risks and to determine our auditing procedures.

RESULTS OF THE AUDIT

Statement of USAID Contract Expenditures

Pragma Corporation maintains adequate accounting records and sufficient evidential documents supporting the allowability of salary, direct, and indirect expenditures charged to the USAID contracts. Our audit disclosed questioned costs amounting to \$ 5,705 (\$243 of which was unsupported). In addition, we were unable to apply other auditing procedures to satisfy ourselves as to the allowability of subcontractor costs of approximately \$415,000 since some of the supporting documentation was written in a foreign language.

Because of the above scope limitation, we issued a qualified opinion on the Statement of USAID Contract Expenditures for the period January 1, 1990 to December 31, 1990.

Compliance with the Terms of the Contracts and Applicable Laws and Regulations

As part of our audit, we performed tests of Pragma's compliance with certain provisions of the contracts and laws, regulations; grants, and binding policies and procedures. We performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of USAID Contract Expenditures is free of material misstatements; our objective was not to provide an opinion on compliance with such provisions.

Our tests of compliance disclosed the following instances of non-compliance:

1. Employee timesheets did not support the number of hours billed.
2. Unused vacation was paid out at year-end without proper documentation of USAID approval.

3. Unused vacation was not allocated to direct costs and indirect cost pools on a consistent basis.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested Pragma complied, in all material respects, with the provisions of the contracts and laws, regulations, binding policies and procedures. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is more than a relatively low risk that Pragma may have violated applicable laws and regulations.

Internal Control Structure

We studied and evaluated Pragma's internal control structure relative to the USAID contracts to assess control risk and to determine our auditing procedures for the purpose of expressing an opinion on the Statement of USAID Contract Expenditures of Pragma and not to provide assurance on Pragma's internal control structure taken as a whole.

Our tests of internal control disclosed the following findings:

1. Timesheets were not mathematically accurate.
2. Timesheets were not properly approved by a supervisor.

The findings included in this report have been presented to management, and their responses to these findings are included in the "Management's Response to Compliance Findings" and the "Management's Response to Internal Control Findings".

KPMG Test Manual

Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036

Independent Auditors' Report on the
Statement of USAID Contract Expenditures

We have audited the accompanying Statement of USAID Contract Expenditures of Pragma Corporation (Pragma), USAID contractor, for the period January 1, 1990 to December 31, 1990. The Statement of USAID Contract Expenditures is the responsibility of Pragma's management. Our responsibility is to express an opinion on the Statement of USAID Contract Expenditures based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of USAID Contract Expenditures is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of USAID Contract Expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement of USAID Contract Expenditures. We believe that our audit provides a reasonable basis for our opinion.

Because some of the supporting documentation for subcontractor costs of approximately \$415,000 was written in a foreign language, we were unable to determine whether this documentation supported the salary and allowance expenditures charged to the contracts during the period January 1, 1990 to December 31, 1990, and we were unable to apply other auditing procedures to satisfy ourselves as to the allowability of these expenditures. A listing of those contracts which incurred subcontractor costs that were not subject to our audit testwork is shown in the accompanying Schedule.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply auditing procedures to assess the allowability of the subcontractor costs referred to in the preceding paragraph, the Statement of USAID Contract Expenditures referred to above presents fairly, in all material respects, the USAID Contract Expenditures of Pragma for the period January 1, 1990 to December 31, 1990.

This report is intended solely for the use of the U.S. Agency for International Development and Pragma. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

January 13, 1992



PRAGMA CORPORATION

Statement of USAID Contract Expenditures

For the period January 1, 1990 to December 31, 1990

<u>USAID CONTRACT NUMBER</u>	<u>CONTRACT EXPENDITURES</u>
<u>Cost Plus Fixed Fee Contracts</u>	
ANE-0354-C-00-6085-00	\$ 21,118
AFR-0201-C-00-7001-00	861,659
AFR-0251-C-00-4037-00	121,804
DPE-5939-C-00-7003-00	504,127
OTR-0000-C-00-7232-00	487,322
AFR-0102-C-00-8002-00	1,160,395
PDC-000-Z-00-8034-00	327,946
AFR-0234-C-00-8044-00	1,762,630
383-0249-0-0039-00	92,523
399-0287-C-00-0101-0	<u>23,442</u>
	<u>5,362,966</u>
<u>Time and Materials Contracts</u>	
PDC-1406-1-15-7152-00	58,398
PDC-1406-1-10-7009-00	2,087
PDC-1406-1-19-7152-00	17,390
PDC-1406-1-19-7152-00	12,031
PDC-1406-1-17-7152-00	31,920
PDC-1406-1-00-7152-00	130,028
PDC-1096-1-09-7169-00	73,543
PDC-1406-1-21-7152-00	26,187
PDC-1406-1-22-7152-00	73,220
PDC-1406-1-23-7152-00	51,610
PDC-1096-1-10-7169-00	34,631
PDC-1096-1-11-7169-00	40,182
PDC-1406-1-24-7152-00	28,488
PDC-1406-1-12-7169-00	84,748
PDC-1406-1-25-7152-00	14,261
PDC-1096-1-13-7169-00	70,361
PDC-1096-1-14-7169-00	6,680
PDC-1406-1-26-7152-00	56,615
PDC-1096-1-15-7169-00	<u>87,458</u>
	<u>899,838</u>
<u>Fixed Price Contracts</u>	
ANE-0048-C-00-6071	58,000
OTR-0000-C-00-9051-00	169,817
520-384-0-0-9886-0	12,988
OIT-0091-0-00-9006-00	653
P10/T-505-0018	7,438
688-0510-5-00-0229-0	<u>28,939</u>
	<u>277,835</u>

(Continued)

PRAGMA CORPORATION

Statement of USAID Contract Expenditures, Continued

For the period January 1, 1990 to December 31, 1990

Subcontracts

AFR-0466-C-00-9035-00	493,683
P10T/T 520-0362-3-70327	405,310
666-0124-C-00-0719	9,156
520-0362-0-00-9374-0	<u>18,432</u>
	<u>926,581</u>
Total Contract Expenditures	<u>\$7,467,220</u>

See accompanying note to the Statement of USAID Contract Expenditures

PRAGMA CORPORATION

Note to the Statement of USAID Contract Expenditures

Nature of Operations and Summary of Significant Accounting Policies

- a) Pragma Corporation (Pragma) was established in 1977 to provide development services in the United States and abroad for government agencies and private institutions.

Pragma has approximately thirty-five to forty contracts with the Agency for International Development. The objectives of these contracts vary widely from contract to contract. For example, Pragma has a USAID contract to help Guatemalan students study abroad, a contract to help with famine relief in Zaire, and a contract to strengthen Kenya's leadership for national development, as well as many others.

- b) Expenditures are related to the disbursing of funds provided by USAID to accomplish the objectives of the projects discussed above. Expenditures are recognized as incurred, in accordance with generally accepted accounting principles.

PRAGMA CORPORATION

Schedule of Unaudited Subcontract Expenditures

For the period January 1, 1990 to December 31, 1990

<u>Prime Contract Number</u>		<u>Subcontract Expenditures</u>
<u>Cost Plus Fixed Fee Contracts</u>		
AFR-0201-C-00-7001-00	\$	382,193
AFR-0251-C-00-4037-00		<u>8,144</u>
		<u>390,337</u>
 <u>Fixed Price Contracts</u>		
ANE-0048-C-00-6071		<u>25,000</u>
Total Unaudited Subcontract Expenditures	\$	<u>415,337</u>

Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036

Independent Auditors' Report on
Compliance with the Terms of USAID Contracts and Applicable
Laws and Regulations

We have audited the Statement of USAID Contract Expenditures of Pragma Corporation (Pragma), for the period January 1, 1990 to December 31, 1990. We attempted to perform our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of USAID Contract Expenditures contract expenditures is free from material misstatements. However, in our report dated January 13, 1992, we expressed a qualified opinion due to limitations in the scope of our work.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to Pragma is the responsibility of Pragma's management. As part of the audit process undertaken, we performed tests of Pragma's compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance with the intention of obtaining reasonable assurance about whether the Statement of USAID Contract Expenditures is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Our testing of transactions and records selected disclosed instances of noncompliance with laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedules of compliance findings and questioned costs.

The results of our tests indicate that with respect to the items tested Pragma complied, in all material respects, with the provisions referred to in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Pragma had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the U.S. Agency for International Development and Pragma. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

January 13, 1992



PRAGMA CORPORATION

Compliance with the Terms of USAID Contracts and Applicable
Laws and Regulations

Schedule of Compliance Findings

For the period January 1, 1990 to December 31, 1990

1. Employee timesheets did not support number of hours billed.

Condition:

One timesheet out of 219 tested did not support the number of hours billed as direct labor during the billing period.

Cause:

Pragma did not reconcile the employee timesheets to the Labor Distribution Report to ensure the number of hours billed was accurate.

Criteria:

Direct labor hours billed should be supported by employee timesheets and equal the number of hours charged to the contract as shown per the labor distribution report.

Effect:

Direct labor hours amounting to an undercharge of \$261.52 was not billed to the contract.

Recommendation:

Pragma should reconcile the timesheets to the contract billing for each billing cycle and review the bill for accuracy.

2. Authorization was not received for unused vacation to be paid out to employees.

Condition:

Two employees who were 100% chargeable to contracts were terminated by Pragma during 1990 and paid out unused vacation at year-end without approval by AID. These payments were then billed to AID.

Cause:

Unknown.

Criteria:

Agency for International Development Acquisition Regulations (AIDAR), under

PRAGMA CORPORATION

Compliance with the Terms of USAID Contracts and Applicable
Laws and Regulations

Schedule of Compliance Findings, Continued

For the period January 1, 1990 to December 31, 1990

clause 752.7031 entitled "Leave and Holidays" states that vacation leave earned but not taken by the end of the employee's tour will be forfeited unless the requirement of the project precluded the employee from taking such leave, and the Contracting Officer (with the endorsement of the Mission) approves a lump sum payment for the unused vacation leave.

Effect:

Unused vacation amounting to \$1046 was paid out to two employees without USAID approval and is therefore considered a questioned cost.

Recommendation:

Pragma should obtain USAID approval for payout of unused vacation to employees.

3. Vacation was improperly charged to the contract instead of to overhead.

Condition:

Five employees who were not 100% chargeable to contracts had their unused vacation payout at year-end allocated between the USAID contracts they worked on during the year and to overhead based on the amount of labor hours charged to each throughout the year.

Pragma's unwritten policy regarding allocation of its unused vacation payout is as follows:

- For employees 100% chargeable to USAID contracts during the year, the payout is considered a direct cost.
- For employees who spend the majority of their time on USAID contracts during the year, the payout is allocated between direct and indirect costs.
- For employees who do not spend the majority of their time working on USAID contracts during the year, the payout is considered an indirect cost.

Cause:

Since the majority of these employees time was spent working on USAID contracts throughout 1990, Pragma allocated their year-end vacation payout between overhead and these contracts.

Criteria:

Federal Acquisition Regulations (FAR) under section 30.402-40 state "No final cost objective shall have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose,

(Continued)

PRAGMA CORPORATION

Compliance with the Terms of USAID Contracts and Applicable
Laws and Regulations

Schedule of Compliance Findings, Continued

For the period January 1, 1990 to December 31, 1990

in like circumstances, have been included as 3 direct cost of that or any other final cost objective." Pragma's policy of allocating year-end vacation pay-out between the contracts the employees worked on and overhead is inconsistent with Pragma's policy during the year. During the year Pragma charges all vacation to overhead except for those employees who are 100% chargeable to the contracts.

Effect:

Vacation expense totaling \$4902 was charged directly to USAID contracts instead of to the overhead pool.

Recommendation:

Pragma should treat all vacation consistently. Employees who are 100% chargeable to a contract should have vacation charged to the contract while all other employees who are not 100% chargeable to a contract should have their vacation charged as an indirect cost to the overhead pool.

PRAGMA CORPORATION

Management's Response to Compliance Findings

For the period January 1, 1990 to December 31, 1990

- 1) Employee timesheets did not support number of hours billed.

Management's Response:

A mathematical error occurred resulting in direct labor being undercharged and indirect labor overcharged by 8 hours.

- 2) Authorization was not received for unused vacation to be paid out to employees.

Management's Response:

All unused vacation at the time of termination is payable to the employee and was paid to Wendy Weidner and Craig Smith. These hours were billed to USAID in December 1990 on voucher No. 39 as unused vacation at year-end.

- 3) Vacation was improperly charged to the contract instead of to overhead.

Management's Response:

Pragma's written policy included in its policy and procedures manual submitted with all its cost proposals states that all unused vacation is payable at the end of the fiscal year. The amount in Question is a proportion of the total vacation paid to those five employees who are partly direct and partly indirect but a majority of their time is spent on USAID direct contracts.

PRAGMA CORPORATION

Compliance with the Terms of USAID Contracts and Applicable
Laws and Regulations and Internal Controls

Schedule of Questioned Costs

For the period January 1, 1990 to December 31, 1990

According to A.I.D. regulations, costs charged to a project must meet the following general criteria:

- a) Be reasonable for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- b) Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c) Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d) Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contracts, applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient, in excess of the budgeted amount per line item including allowable variances, and costs considered unreasonable under the circumstances.

The following costs were questioned because they were not adequately supported or were not in compliance with the contracts, applicable laws or regulations:

<u>Budget category</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Total</u>
Salaries	\$5,948 ¹	\$(243) ²	\$5,705 ³
Total questioned costs	<u>\$5,948</u>	<u>\$(243)</u>	<u>\$5,705</u>

These costs were previously described in the Schedule of Findings.

IG/A/FA Notes:

¹ Compliance findings Nos. 2 and 3.

² Compliance finding No. 1 and internal control finding No. 1.

³ Total questioned costs of \$5,967 listed in IG/A/FA's recommendation No. 1 include questioned costs of \$5,948 (compliance findings Nos. 2 and 3) and unsupported costs of \$19 (internal control finding No. 1). IG/A/FA has not offset its total questioned costs by the undercharge of (\$261.52) noted in compliance finding No. 1 because this amount has never been billed to A.I.D. and does not qualify as a questioned cost.

Independent Auditors' Report on USAID Contracts Internal Controls

We have audited the Statement of USAID Contract Expenditures of Pragma Corporation (Pragma), for the period January 1, 1990 to December 31, 1990. We attempted to perform our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of USAID Contract Expenditures contract expenditures is free from material misstatements. However, in our report dated January 13, 1992, we expressed a qualified opinion due to limitations in the scope of our work.

In planning and performing our audit we considered Pragma's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the Statement of USAID Contract Expenditures and not to provide assurance on the internal control structure.

The management of Pragma is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Statement of USAID Contract Expenditures in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures of Pragma applicable to the USAID contracts for the period January 1, 1990 to December 31, 1990, in the following categories:

- Accounting processes
- Payroll procedures
- Disbursement procedures

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.



We consider the matters described in the Schedule of USAID Internal Control Findings to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of USAID Contract Expenditures.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Statement of USAID Contract Expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of Pragma and the Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

January 13, 1992

PRAGMA CORPORATION

Schedule of USAID Internal Control Findings

For the period January 1, 1990 through December 31, 1990

1. Timesheet was not mathematically accurate.

Condition:

One timesheet out of 219 tested was not mathematically accurate.

Cause:

Pragma did not adequately review timesheets or other support for mathematical accuracy.

Criteria:

All timesheets and support should be reviewed for mathematical accuracy to ensure proper allocation of expense.

Effect:

A lack of review of timesheets for mathematical accuracy increases the risk of improper allocation of expense. This resulted in a \$19 overcharge to USAID which has been included as an unsupported cost in our Schedule of Questioned Costs.

Recommendation:

Pragma personnel should review the timesheet for mathematical accuracy.

2. Timesheets were not approved by supervisor or were self-approved.

Condition:

In 10 of 219 direct labor items tested and 1 of 305 indirect cost items tested, timesheets were, not approved by the employee's supervisor or were self-approved.

Cause:

Pragma did not review timesheets to ensure that the documentation is accurate and complete.

Criteria:

Timesheets should be reviewed to ensure that the timesheet is mathematically accurate, prepared in pen, signed by the employee, and any alterations to hours charged to contracts are initialed by the employee and are accompanied by an explanation of the change. This review process should be denoted by initials or signature of the supervisor or reviewer.

(Continued)

PRAGMA CORPORATION

Schedule of USAID Internal Control Findings, Continued

For the period January 1, 1990 through December 31, 1990

Effect:

A lack of review of time sheets increases the risk of improper salary allocation.

Recommendation:

Pragma supervisors should review all time sheets to ensure that they comply with company policy and denote the completion of review by initials or signature.

PRAGMA CORPORATION

Management's Response to Internal Control Findings

For the period January 1, 1990 through December 31, 1990

- 1) Timesheet was not mathematically accurate.

Management's Response:

A mathematical error occurred resulting in direct labor being overcharged and indirect labor undercharged by 1 hour.

- 2) Timesheets were not approved by supervisor or were self-approved.

Management's Response:

All the timesheets in question are from overseas contracts. The Project/Divisional Manager usually cosigns these timesheets before sending them to the payroll department. It is just an oversight that these 6 timesheets were left unsigned.

SUPPLEMENTARY INFORMATION

KPMG Peat Marwick provided IG/A/FA ~~with~~ additional audit information.

Indirect Cost Rates

<u>Type</u>	<u>Period</u>	<u>Pre-Audit Rate</u>	<u>Audit Adjusted Rate</u>
Fringe	01/01/90 - 12/31/90	25.31%	25.43%
G&A/Overhead	01/01/90 - 12/31/90	64.27%	64.22%

Audit Findings

<u>Finding</u>	<u>No.</u>	<u>Amount</u>	<u>A.I.D. Contract No.</u>
Compliance	1	(\$261.52)	OTR-0000-C-00-7232-00
Compliance	2	\$1,046.00	AFR-0102-C-00-8002-00
Compliance	3	\$4,902.00	** 4 Contracts
I/C	1	\$19.00	AFR-0234-C-00-8044-00
I/C	2	0.00	N/A
Total Questioned Costs		<u>\$5,705.48</u>	

** AFR-0102-C-00-8002-00
 OTR-0000-C-00-7232-00
 DPE-5939-C-00-7003-00
 AFR-0201-C-00-7001-00

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Director, USAID/Sri Lanka	1
Director, USAID/Zaire	1
AID Representative, USAID/Belize	1
AID Representative to ASEAN, USAID/Thailand	1
Acting Assistant Administrator, Bureau for Africa, AA/AFR	2
Acting Assistant Administrator, Bureau for Asia, AA/ASIA	2
Acting Assistant Administrator, Bureau for Latin America and the Caribbean, AA/LAC	2
Associate Administrator, Directorate for Finance and Administration, AA/FA	1
Associate Administrator for Operations, AA/OPS	1
Office of Financial Management, FA/FM/CONT	1
Office of External Affairs, XA/PR	1
Bureau for Legislative Affairs, LEG	1
Office of the General Counsel, GC	1
Guatemala Desk, LAC/CEN/G	1
Jamaica/Belize Desk, LAC/CAR/JB	1
Mali/Burkina Faso Desk, AFR/SWA/MBF	1
Nepal/Sri Lanka/Maldives Desk, ASIA/SA/NS	1
Thailand/ASEAN/Burma/South Pacific Desk, ASIA/EA/TABSP	1
Zaire Desk, AFR/CCWA/Z	1
Center for Development Information and Evaluation, POL/CDIE	3
Management Control Staff, FA/MCS	1
IG	1
AIG/A	1
AIG/I&S	1
IG/LC	1
D/AIG/A	1
IG/A/PPO	2
IG/A/PSA	1
RIG/A/B	1
RIG/A/C	1
RIG/A/D	1
RIG/A/N	1
RIG/A/S	1
RIG/A/T	1
RIG/A/EUR/W	1
RAO/M	1
IG/RM/C&R	5