



MEMORANDUM

DATE: March 25, 2020

TO: USAID/Management/Office of Acquisition and Assistance, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division, David A. McNeil /s/

SUBJECT: Examination of Costs Claimed by Dexis Interactive, Inc. for the Fiscal Year Ended December 31, 2010 (3-000-20-019-1)

This memorandum transmits the final audit report on the examination of costs claimed by Dexis Interactive, Inc. (Dexis) on in-scope awards and subawards for the fiscal year ended December 31, 2010. 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 Kearney & Company, P.C. to conduct the audit. The audit firm stated that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in 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 the costs claimed by Dexis on in-scope awards and subawards 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.¹

The examination objective was to express an opinion on whether the costs claimed by Dexis on in-scope awards and subawards are allowable, allocable, and reasonable in accordance with

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.

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. To answer the examination objective, the audit firm performed a reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward, for the period examined and reviewed the reporting of any over/under-billings. Its examination also included performing testing procedures to evaluate the internal control environment surrounding Dexis' subcontract management process and to determine whether Dexis had adequate controls in place for monitoring subcontract costs. The audit firm examined USAID incurred costs of \$2,399,119 for the fiscal year ended December 31, 2010.

The audit firm expressed an adverse opinion to state that costs claimed by Dexis on in-scope awards and subawards for the year ended December 31, 2010 are not 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 \$38,056 of USAID direct costs (\$38,056 unsupported). The audit firm identified a material weakness in internal control and an instance of material noncompliance. In addition, the audit firm reported \$56,036 in indirect questioned costs, composed of \$52,468 in General and Administrative pool costs and \$3,568 in Overhead pool costs.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

Recommendation 1. Determine the allowability of \$38,056 in direct questioned costs (\$38,056 unsupported) on pages 9 and 10 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Dexis Interactive, Inc. corrects the material weakness in internal control detailed on pages 9 and 10 of the audit report.

Recommendation 3. Verify that Dexis Interactive, Inc. corrects the instance of material noncompliance detailed on pages 9 and 10 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. 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").