



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 24, 2022

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: Audit of Dexis Interactive, Inc.'s (dba Dexis Consulting Group) Proposed Amounts on Select Unsettled Flexibly Priced Contracts for FYs 2018 and 2019 (3-000-22-008-D)

This memorandum transmits the final examination report on costs claimed by Dexis Interactive, Inc.'s, dba Dexis Consulting Group (Dexis), proposed amounts on select unsettled flexibly priced contracts for fiscal years (FY) ended December 31, 2018 and December 31, 2019. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the examination. DCAA stated that it performed its examination in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether Dexis' proposed amounts for the two FYs 2018 and 2019 comply with contract terms pertaining to accumulating incurred amounts.¹

The examination's objective was to express an opinion on whether Dexis' proposed direct and indirect amounts for contract reimbursement on select USAID unsettled flexibly priced contracts contained in its FY 2018, and FY 2019 indirect rate proposals, both submitted on November 25, 2020 comply with contract terms pertaining to accumulating incurred amounts. To answer the examination's objective, DCAA designed its testing procedures to obtain and examine evidence to gain reasonable assurance about whether Dexis' proposed amounts materially comply with the contract terms pertaining to accumulating and billing incurred amounts, the nature, timing, and extent of procedures selected depending on DCAA's professional judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. DCAA examined USAID incurred direct costs of \$83,744,619. DCAA

¹ We reviewed DCAA'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.

expressed a qualified opinion stating that, except for the noncompliances described below, and the effects of additional noncompliances, if any, they might have identified had they completed the procedures described in the scope limitation below, Dexis' proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts. Characterized as material noncompliances, DCAA (a) identified total questioned direct costs, including those listed on Exhibit D as unresolved and subsequently confirmed as questioned, of \$24,648,421 (\$24,631,556 ineligible, and \$16,865 unsupported) pertaining to direct contract, subcontractor costs, and Time and Material amounts billed (b) identified total questioned indirect costs, representing an upward adjustment to the pool and a downward adjustment to the base of indirect costs, of (\$2,785,883), comprising (\$1,959, 866) from Fringe pool, (626,540) from the General & Administrative pool, (\$175,675) from the Overhead pool, and (\$23,802) from Subcontracting. Additionally, DCAA considered as scope limitations (1) its inability to verify the original source of scanned documents, (2) lack of real time testing of labor, (3) lack of real time services existence and consumption testing, and (4) not receiving subcontract assist audits.

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

Recommendation 1. Determine the allowability of \$24,648,421 in questioned direct costs (\$24,631,556 ineligible, and \$16,865 unsupported) on page 28 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Dexis Interactive, Inc. corrects the eight instances of material noncompliance detailed on page 3 of the audit report.

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

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