



MEMORANDUM

Date: December 19, 2018

TO: USAID/Management/Office Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Acting Director of External Financial Audits, Steven Shea /s/

SUBJECT: OMB Circular A-133 Audit of DKT International, Inc. and Affiliates for the Fiscal Year Ended December 31, 2014 (3-000-19-003-T)

This memorandum transmits the final audit report on DKT International, Inc. and Affiliates (DKT) under Office of Management and Budget (OMB) Circular A-133 for the fiscal year (FY) ended December 31, 2014. The audit report was obtained from the Federal Audit Clearinghouse. Raffa, P.C. performed the OMB Circular A-133 audit.

Raffa, P.C. states it performed its audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Raffa, P.C. is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DKT's financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to; (1) express an opinion on whether the financial statements as of December 31, 2014 were presented fairly in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is fairly stated in all material respects; (3) describe the scope of testing of internal control and compliance and the results of that testing and not to provide an opinion on its effectiveness; and (4) determine whether DKT complied in all material respects with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.

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.

DKT's audited expenditures were \$854,189, consisting solely of U.S. Agency for International Development's (USAID) expenditures for the fiscal year ended December 31, 2014. The auditors issued a management letter date December 14, 2015. In its letter, the auditor discussed 11 other deficiencies than those described below that DKT needs to correct in order to strengthen internal controls and operating efficiencies to satisfactorily administer U.S. Government awards.

Raffa, P.C. expressed unmodified opinions based on their work, on the financial statements, the schedule of expenditures of federal awards, and the report on compliance for each major program. The audit report disclosed eight findings. Findings 2014-001 through 2014-005 are material weaknesses in internal control over financial reporting and findings 2014-007 and 2014-008 are significant deficiencies in internal control over compliance. Findings 2014-006 through 2014-008 are instances of noncompliance with other matters that are required to be reported under *Government Auditing Standards*. Finding 2014-006 is an instance of noncompliance with each major program. Raffa, P.C. questioned ineligible direct costs of \$35,022 and unsupported direct costs of \$109,000.

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 \$35,022 in ineligible direct questioned costs and \$109,000 in unsupported direct questioned costs detailed on pages 38 through 40 of the audit report and recover any amount that is unallowable.

Recommendation 2:

Verify that DKT International, Inc. and Affiliates has corrected the five material weaknesses in internal control over financial reporting, and two significant deficiencies in internal control over compliance detailed on pages 24, 27, 32 through 37, 39, and 40 of the audit report.

Recommendation 3:

Verify that DKT International, Inc. and Affiliates has corrected the three instances of noncompliance or other matters and the instance of noncompliance with requirements that could have a direct and material effect on each major program detailed on pages 24, 25, 27, and 37 through 40 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").

If you have any questions related to this report, please contact Steve Shea, acting director, at (202) 712-1386 or sshea@usaid.gov.

Attachment: As stated

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