



## MEMORANDUM

**DATE:** April 27, 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:** Incurred Cost Audit Report for Dexis Interactive, Inc. for the Three Years Ended December 31, 2015 (3-000-20-026-I)

This memorandum transmits the final report on Dexis Interactive, Inc. (Dexis) on in-scope awards and subawards for each of the three years ended December 31, 2013, 2014, and 2015. 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 of Kearney & Company, P.C. to conduct the examination. 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 costs claimed by Dexis on in-scope awards and subawards for each of the years ended December 31, 2013, 2014, and 2015 is 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*.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Dexis on in-scope awards and subawards for each of the years ended December 31, 2013, 2014, and 2015 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. To answer the examination's objective, Kearney & Company, P.C. designed its testing procedures to evaluate the internal control environment

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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.

surrounding Dexis' subcontract management process and to verify that Dexis 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 \$27,041,267 for the three years ended December 31, 2015.

Kearney & Company, P.C. expressed an adverse opinion to state that costs claimed by Dexis on in-scope awards and subawards for the three years ended December 31, 2013, 2014, and 2015 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. In addition, the audit firm reported a material instance of noncompliance and a material weakness due to insufficient documentation to substantiate costs claimed in its incurred cost proposals. The audit firm questioned USAID direct questioned costs of \$440,142 (\$440,142 unsupported). Kearney & Company, P.C. also questioned indirect costs of \$106,074, composed of \$38,180 in fringe, \$4,087 in overhead Dexis Interactive, Inc. site, \$201 in overhead client site, \$880 in subcontractor handling, and \$62,726 in general & administrative costs.

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

**Recommendation 1.** Determine the allowability of \$440,142 in USAID's unsupported direct questioned costs (Finding # 1) and recover any amount that is unallowable detailed on pages 5, through 7 and 11 through 14 of the report.

**Recommendation 2.** Verify that Dexis Interactive, Inc. corrects the material instance of noncompliance (Finding # 1) detailed on pages 11 through 14 of the report.

**Recommendation 3.** Verify that Dexis Interactive, Inc. corrects the material weakness (Finding # 1) detailed on pages 11 through 14 of the report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").