

DECISION SCIENCE RESEARCH INSTITUTE, INC.,
dba DECISION RESEARCH

ANNUAL FINANCIAL REPORT
March 31, 2015 and 2014

Decision Science Research Institute, Inc.,
dba **Decision Research**

Annual Financial Report
March 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Decision Science Research Institute, Inc. dba Decision Research
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Decision Science Research Institute, Inc. dba Decision Research (a nonprofit organization), which comprise the statements of financial position as of March 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Decision Science Research Institute, Inc. dba Decision Research as of March 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of Decision Science Research Institute, Inc. dba Decision Research's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decision Science Research Institute, Inc. dba Decision Research's internal control over financial reporting and compliance.

Jones & Roth, P.C.
Eugene, Oregon
March 28, 2016

Decision Science Research Institute, Inc.,
dba **Decision Research**

Financial Statements

Decision Science Research Institute, Inc.,
dba **Decision Research**

Statements of Financial Position
March 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 247,809	\$ 248,070
Investments	10,428	10,154
Grants and contracts receivable	367,396	372,687
Accounts receivable	2,269	4,523
Prepaid expenses and deposits	21,603	10,166
Total current assets	649,505	645,598
Fixed assets:		
Furniture and equipment	92,802	89,005
Less accumulated depreciation	(84,435)	(79,070)
Net fixed assets	8,367	9,935
Intangible assets:		
Intangible assets	5,323	5,323
Less accumulated amortization	(5,323)	(4,630)
Net intangible assets	—	693
Total assets	\$ 657,872	\$ 656,226
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 102,451	\$ 150,808
Accrued payroll and related expenses	60,667	69,695
Accrued paid time off	116,023	83,281
Accrued pension expense	5,869	6,342
Deferred income	39,026	34,256
Total current liabilities	324,036	344,382
Net assets, unrestricted	333,836	311,844
Total liabilities and net assets	\$ 657,872	\$ 656,226

See accompanying notes and independent auditor's report.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Statements of Activities
for the fiscal years ended March 31, 2015 and 2014

	2015	2014
Revenues:		
Grants and contracts		
Federal and Federal Pass-Through	\$ 1,803,123	\$ 1,453,944
Non-Federal	42,947	37,681
	1,846,070	1,491,625
Interest and dividend income	188	419
Contributions (cash)	—	6,841
Royalties	4,044	2,835
Unrealized gains/(losses)	273	4,158
Miscellaneous income	380	376
	1,850,955	1,506,254
Expenses:		
<i>Program services: Non-Federal Funds</i>		
Benefit/Risk Perceptions of Prescription Drugs II	3,891	1,240
Judgments of Real Life Functions	468	5,244
Analysis for Quantitative and Qualitative Perception Data	3,603	—
Earthquakes	4,071	—
Consulting	—	3,564
U of O Workshop Coordination	4,403	—
Social Media and Risk	975	—
Web Panel Services	2,013	10,698
Water Research Foundation 4457—Core Messages for Priority of Emerging Concerns	1,204	—
	20,628	20,746
<i>Program services: Federal Pass-Through Funds</i>		
National Center for Risk and Economic Analysis of Terrorism Events	85,512	46,711
Visual Simulation and Visually Based Control Research	—	2,130
Cultural Cognition of Synthetic Biology Risks	—	39,778
NSEC: Center for Nanotechnology in Society	4,802	4,345
Public Risk Perception Surveys	—	5,666
Tribal Environmental Public Health Indicators	—	1,378
Evaluating Community Well-being in Relation to Shellfish as a Place-based Cultural Ecosystem Service of the Puget Sound Region of the Salish Sea	2,612	4,600
Guideline Development for Evaluating Resource Development Impacts on Tribal Communities	2,862	1,335
Operational Decision Making in Increasingly Automated Aerospace Environments	4,302	—
Seasonal Climate Signals: Developing a Community of Practice in Emergency Management of Droughts and Floods	3,555	—
Modeling Cognitive Response to CMAS Alerts and Warnings to Inform Emergency Response Interventions	445	—
The Science of Decision Making: Connecting People and Policy	32,882	—

See accompanying notes and independent auditor's report.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Statements of Activities
for the fiscal years ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<i>Program services: Federal Pass-Through Funds, continued</i>		
Dynamic Aviation Risk Management System (DARMS): A Proof of Concept Study Incorporating Game Theory and Multi-Attribute Utility	24,961	—
Adapting a Decision-Making Task to Explore its ERP Correlates in Youth and Adults	14,900	12,820
Clinical Implementation of Carrier Testing Using NGS	6,548	61,786
	<u>183,381</u>	<u>180,549</u>
 <i>Program services: Direct Federal Funds</i>		
Development of Normal Procedures for Airline Operations	171,152	80,214
The Life You Can Save: Affective and Deliberative Processes Motivating Charitable Decisions	288	20,176
Hazard Manager Stereotypes as Influences on Trust, Confidence and Cooperation	13,680	—
Understanding Decisions about Foreign Policy Interventions to Save Lives	6,365	—
The Arithmetic of Compassion: Confronting the Challenge of Pseudoinefficacy in Charitable Giving	62,010	—
RAPID: Evaluating Ebola Message Effects over Time: Risk Perceptions, Trust in and Attributions of Responsibility to Institutions, Personal Behavior and Policy Support	29,672	—
Public Interpretations of and Responses to Scientific Disputes	111	—
Valuing Lives You Can Save: Understanding and Combatting Value Collapse as Numbers Increase	49,303	54,544
Regret Regulation and Everyday Decisions Across the Adult Lifespan	—	6,217
The Singularity Effect of Identifiable Victims: Is It a Matter of Culture and Education?	45,511	67,565
Developing Guidelines to Aid in Communicating Uncertainty	76,937	89,207
Detecting and Mitigating Automation Surprises	356,151	309,853
Decision Making and Dysregulation Pathways in Adolescents with Parental SUD History	183,482	130,245
Developing Indigenous Health Indicators to Reflect Community Health Priorities	60,370	21,736
Decision-Makers Use of Climate Science in Flood Planning and Management	14,506	20,257
	<u>1,069,538</u>	<u>800,014</u>
Total program services	1,273,547	1,001,309
 <i>Support Services</i>		
	<u>555,416</u>	<u>534,613</u>
Total expenses	<u>1,828,963</u>	<u>1,535,922</u>
Change in unrestricted net assets	21,992	(29,668)
Unrestricted net assets, beginning of year	<u>311,844</u>	<u>341,512</u>
Unrestricted net assets, end of year	<u>\$ 333,836</u>	<u>\$ 311,844</u>

See accompanying notes and independent auditor's report.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Statements of Cash Flows
for the fiscal years ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 21,992	\$ (29,668)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	6,057	6,127
Unrealized (gains)/losses on investments	(273)	(4,158)
(Increase) decrease in:		
Grants and contracts receivable	5,291	(128,227)
Accounts receivable	2,254	(2,985)
Prepaid expenses and deposits	(11,439)	(2,259)
Increase (decrease) in:		
Accounts payable	(48,357)	102,355
Accrued payroll and related expenses	(9,028)	14,268
Accrued paid time off	32,742	10,051
Accrued pension expense	(473)	1,060
Deferred revenue	4,770	(10,894)
Net cash provided (used) by operating activities	3,536	(44,330)
Cash flows from investing activities:		
Acquisition of furniture and equipment	(3,797)	(7,827)
Net increase (decrease) in cash and cash equivalents	(261)	(52,157)
Cash and cash equivalents, beginning of year	248,070	300,227
Cash and cash equivalents, end of year	\$ 247,809	\$ 248,070
Schedule of noncash investing and financing activities:		
Total acquisition of furniture and equipment	\$ 3,797	\$ 8,331
Value of trade in asset	—	(504)
Cash paid for furniture and equipment	\$ 3,797	\$ 7,827

See accompanying notes and independent auditor's report.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Notes to Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION

Decision Science Research Institute, Inc. (the Organization) is an independent, nonprofit research institute, dedicated to research and education in the behavioral, social and decision sciences. Its main source of funding is through federal, state and private grants and contracts. The Organization is subject to regulatory action surrounding these grants and contracts.

The Organization was incorporated under the laws of the State of Oregon with the purpose of providing charitable, scientific, and educational research.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NET ASSETS

The Organization's net assets are unrestricted. No part of the net assets are permanently restricted or temporarily restricted by donor-imposed stipulations.

CASH AND CASH EQUIVALENTS

Cash consists of cash maintained in checking accounts, savings accounts, and money market accounts with regional west coast financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, these deposits may exceed FDIC insurance limitations.

Cash equivalents are stated at cost and are not insured by the FDIC. Cash equivalents totaled \$1,353 and \$1,756 at March 31, 2015 and 2014, respectively.

INVESTMENTS

Investments consist of certificates of deposit and stocks. Certificates of deposit are invested with regional west coast financial institutions insured by the FDIC. These certificates have maturity dates greater than three months. Investments are carried at fair value. Realized and unrealized gains and losses are reported in the Statements of Activities.

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of amounts that are due from government agencies, foundations, nonprofit organizations, and private companies. Funding sources are geographically disbursed throughout the United States of America, with nominal amounts arising from outside the country. Management believes all receivables are fully collectable; therefore there is no allowance for uncollectable amounts.

FIXED ASSETS

Furniture and equipment are recorded at cost. Donated properties are recorded at their estimated fair market value on the date of gift. Expenditures for maintenance and repairs are charged against income, while renewals and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are eliminated from the accounts, and the resulting gains or losses are reflected in revenue and expenses.

Depreciation is computed using the straight-line method over the estimated useful life of the furniture and equipment.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Notes to Financial Statements, continued

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE RECOGNITION

The Organization recognizes revenue on cost reimbursement grants and contracts as qualified expenses are incurred, subject to the amount authorized in the agreement. Unreimbursed grant or contract expenses are reflected in the financial statements as receivables and revenues. Cash receipts related to future grant or contract expenses are recorded as deferred revenue in the Statements of Financial Position.

INDIRECT RATE CALCULATION

Indirect costs are allocated proportionally on the basis of modified total direct costs (total direct costs excluding capital expenditures, participant support, and subcontract costs exceeding \$25,000 per subaward).

INCOME TAXES

Under the provisions of the Internal Revenue Code Section 501(c)(3) and applicable state law, the Organization has been granted exemption from state and federal income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. The Organization's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

2. INVESTMENTS:

At March 31, investments consisted of the following:

	Market Value	
	2015	2014
Stocks	\$ 10,428	\$ 10,154
Total investments	<u>\$ 10,428</u>	<u>\$ 10,154</u>

3. COMMITMENTS AND CONTINGENCIES:

GRANTS AND CONTRACTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of the Organization. Management believes that unallowable costs, if any, would not be significant or material.

OPERATING LEASES

The following is a schedule of estimated future minimum rental payments required under an operating lease for office space that has an initial or remaining lease term in excess of one year as of March 31, 2015.

Year ending March 31,	2016	\$ 87,543
	2017	90,169
	2018	92,874
	2019	95,661
	2020	<u>87,902</u>
	Total:	<u>\$ 454,149</u>

Decision Science Research Institute, Inc.,
dba **Decision Research**

Notes to Financial Statements, continued

3. COMMITMENTS AND CONTINGENCIES, continued:

The term of the lease is five years ending February 28, 2020. Both parties have the right any time after March 1, 2018 to cancel the lease upon six months notice and payment of \$5,000.

Rent expenses associated with the above lease for the fiscal years ended March 31, 2015 and 2014, were \$82,925 and \$80,509, respectively.

The Organization has a month-to-month rental agreement with an employee of the Organization for the use of home office space. Rent expense for the above agreement for the fiscal years ended March 31, 2015 and 2014 amounted to \$1,550 and \$2,252, respectively.

4. EMPLOYEE RETIREMENT PLAN:

The Organization maintains a defined contribution pension plan for substantially all permanent employees. Employees are 100% vested in employer contributions. Employer contributions to the plan for the fiscal years ended March 31, 2015, and 2014, were \$66,309 and \$64,974, respectively.

5. CONCENTRATIONS:

During 2015, the Organization received grant revenue of approximately 64 percent from five grant contracts. During 2014, the Organization received grant revenue of approximately 65 percent from three grant contracts.

6. SUBSEQUENT EVENTS:

Management evaluates events and transactions that occur after the statements of financial position as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

Decision Science Research Institute, Inc.,
dba **Decision Research**

Grant Compliance

Decision Science Research Institute, Inc.,
dba **Decision Research**

Government Auditing Standards Report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
 AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
 Decision Science Research Institute, Inc. dba Decision Research
 Eugene, Oregon

We have audited, 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, the financial statements of Decision Science Research Institute, Inc. dba Decision Research (Decision Research) (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes of the financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decision Research's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Decision Research's internal control. Accordingly, we do not express an opinion on the effectiveness of Decision Research's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Refer to Finding 2015-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decision Research's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-1 and 2015-2.

Decision Research's Response to Findings

Decision Research's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Decision Research's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones & Roth, P.C.
Eugene, Oregon
March 28, 2016

Decision Science Research Institute, Inc.,
dba **Decision Research**

A-133 (Single-Audit) Reports

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
 ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
 Decision Science Research Institute, Inc. dba Decision Research
 Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited Decision Science Research Institute, Inc. dba Decision Research's (Decision Research) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decision Research's major federal programs for the year ended March 31, 2015. Decision Research's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decision Research's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decision Research's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Decision Research's compliance.

Opinion on Each Major Federal Program

In our opinion, Decision Research complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-1 and 2015-2. Our opinion on each major federal program is not modified with respect to these matters.

Decision Research's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Decision Research's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Decision Research is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decision Research's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Decision Research's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2015-1 through 2015-3, that we consider to be significant deficiencies.

Decision Research's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Decision Research's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards for the fiscal year ended March 31, 2015

Federal Grantor/Pass-Through Grantor/Project Title	Federal CFDA / Subcontract Number	Award Amount
National Science Foundation:		
<i>Direct Grants:</i>		
1. The Life You Can Save: Affective and Deliberative Processes Motivating Charitable Decisions	47.075	\$ 430,001
2. Valuing Lives You Can Save: Understanding and Combatting Value Collapse as Numbers Increase	47.075	449,998
3. The Singularity Effect of Identifiable Victims: Is it a Matter of Culture and Education?	47.075	338,995
4. Developing Guidelines to Aid in Communicating Uncertainty	47.075	599,989
5. Decision-Makers Use of Climate Science in Flood Planning and Management	47.041	101,691
6. Hazard Manager Stereotypes as Influences on Trust, Confidence, and Cooperation	47.075	240,048
7. Understanding Decisions About Foreign Policy Interventions to Save Lives	47.075	49,996
8. Public Interpretations of and Responses to Scientific Disputes	47.075	112,297
9. RAPID: Evaluating Ebola Message Effects over Time: Risk Perceptions, Trust in & Attributions of Responsibility to Institutions, Personal Behavior & Policy Support	47.075	134,760
10. The Arithmetic of Compassion: Confronting the Challenge of Pseudoefficacy in Charitable Giving	47.075	449,998
<i>Passed through NSEC at University of California at Santa Barbara:</i>		
11. NSEC: Center for Nanotechnology in Society	47.075	83,532
		\$ 2,991,305
NASA:		
<i>Direct Grants:</i>		
12. Detecting and Mitigating Automation Surprises	43.001/NNX12AP14A	\$ 1,200,000
<i>Passed through ASRC Research & Technology Solutions</i>		
13. Operational Decision Making in Increasingly Automated Aerospace Environments	43.002/NNA13AB88C	49,211
		\$ 1,249,211
U.S. Department of Health & Human Services:		
<i>Direct Grants:</i>		
14. Decision Making and Dysregulation Pathways in Adolescents with Parental SUD History	93.279	\$ 520,098
15. Developing Indigenous Health Indicators to Reflect Community Health Priorities	93.879	284,378
<i>Passed through Oregon Social Learning Center:</i>		
16. Adapting a Decision-Making Task to Explore its ERP Correlates through Adolescence	93.865	50,921
<i>Passed through Georgia State University</i>		
17. The Science of Decision Making: Connecting People & Policy	93.077	172,694
<i>Passed through Kaiser Foundation Research Institute:</i>		
18. Clinical Implementation of Carrier Testing Using NGS	93.172/UM1HG007292-01	114,216
		\$ 1,142,307
Environmental Protection Agency:		
<i>Passed through Swinomish Indian Tribal Community:</i>		
19. Guideline Development for Evaluating Resource Development Impacts on Tribal Communities	66.926/NWIFC EPA320-438(2)	\$ 7,000
<i>Passed through Puget Sound Institute/University of Washington:</i>		
20. Evaluating Community Well-being in Relation to Shellfish as a Place-Based Cultural Ecosystem Service of the Puget Sound Region of the Salish Sea Project	66.123/752491	12,000
		\$ 19,000
Federal Aviation Administration:		
21. Development of Normal Procedures for Airline Operations	20.108	\$ 869,585
National Oceanic & Atmospheric Administration:		
<i>Passed through Virginia Polytechnic Institute & State University</i>		
22. Seasonal Climate Signals: Developing a Community of Practice in Emergency Management of Droughts & Floods	11.431/NA13OAR4310116	\$ 7,680
Department of Homeland Security:		
<i>Passed through University of Southern California:</i>		
23. National Center for Risk & Economic Analysis of Terrorism Events	97.061 / 159447/151349	\$ 563,350
24. Dynamic Aviation Risk Management System (DARMS): A Proof of Concept Study Incorporating Game Theory & Multi-Attribute Utility	97.061/55363989	50,000
<i>Passed through Pacific NW National Laboratory</i>		
25. Modeling Cognitive Response to CMAS Alerts and Warnings to Inform Emergency Response Interventions	97.065	16,000
		\$ 629,350
Total Research and Development:		

	Accrued or (Deferred) Revenue at March 31, 2014	Receipts	Expenditures	Accrued or (Deferred) Revenue at March 31, 2015	Expenditures passed through to subrecipients
NSF:					
<i>Direct:</i>					
1.	\$ 468	\$ 951	\$ 483	\$ -	\$ -
2.	16,552	91,708	80,177	5,021	-
3.	20,474	75,918	55,444	-	28,024
4.	13,167	116,658	129,238	25,747	-
5.	11,348	26,917	24,373	8,804	-
6.	-	16,593	21,962	5,369	-
7.	-	8,821	10,695	1,874	-
8.	-	-	187	187	-
9.	-	-	-	-	-
10.	-	29,311	49,735	20,424	-
	-	84,155	98,240	14,085	-
11.	-	2,418	7,981	5,563	-
	<u>\$ 62,009</u>	<u>\$ 453,450</u>	<u>\$ 478,515</u>	<u>\$ 87,074</u>	<u>\$ 28,024</u>
NASA:					
<i>Direct:</i>					
12.	\$ 56,560	\$ 466,386	\$ 432,830	\$ 23,004	\$ 237,277
<i>ARTS:</i>					
13.	-	6,485	8,235	1,750	-
	<u>\$ 56,560</u>	<u>\$ 472,871</u>	<u>\$ 441,065</u>	<u>\$ 24,754</u>	<u>\$ 237,277</u>
U.S. DHHS:					
<i>Direct:</i>					
14.	\$ 49,680	\$ 241,631	\$ 209,377	\$ 17,426	\$ 144,856
15.	22,316	115,570	95,009	1,755	-
<i>OSLC:</i>					
16.	-	25,035	25,035	-	-
<i>GSU:</i>					
17.	-	54,644	55,260	616	17,326
<i>Kaiser:</i>					
18.	41,712	52,128	10,416	-	-
	<u>\$ 113,708</u>	<u>\$ 489,008</u>	<u>\$ 395,097</u>	<u>\$ 19,797</u>	<u>\$ 162,182</u>
EPA:					
<i>Swinomish:</i>					
19.	\$ 2,243	\$ 7,000	\$ 4,757	\$ -	\$ -
<i>PSI/UW:</i>					
20.	7,727	12,000	4,273	-	-
	<u>\$ 9,970</u>	<u>\$ 19,000</u>	<u>\$ 9,030</u>	<u>\$ -</u>	<u>\$ -</u>
21.	\$ 78,700	\$ 230,529	\$ 280,292	\$ 128,463	\$ -
22.	\$ -	\$ 4,322	\$ 5,973	\$ 1,651	\$ -
DHS:					
<i>USC:</i>					
23.	\$ 51,740	\$ 124,248	\$ 143,066	\$ 70,558	\$ -
24.	-	17,382	42,084	24,702	-
<i>PNNL:</i>					
25.	-	8,000	8,000	-	-
	<u>\$ 51,740</u>	<u>\$ 149,630</u>	<u>\$ 193,150</u>	<u>\$ 95,260</u>	<u>\$ -</u>
	<u>\$ 372,687</u>	<u>\$ 1,818,810</u>	<u>\$ 1,803,122</u>	<u>\$ 356,999</u>	<u>\$ 427,483</u>

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended March 31, 2015

1. Purpose of Schedule

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to Decision Research's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Decision Research, it is not intended to and does not present either the financial position or changes in net assets of Decision Research.

2. Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note 1 of Decision Research's financial statements. The Schedule includes all federal financial assistance programs obtained by Decision Research for the fiscal year ended March 31, 2015.

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The receipt and expenditure of federal awards are accounted for under the accrual method of accounting.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended March 31, 2015

Summary of Auditor's Results

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of Decision Research.
- 2) No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
- 3) Two instances of noncompliance material to the financial statements, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- 4) Three significant deficiencies in internal control were disclosed during the audit of the major federal award programs. No material weaknesses are reported.
- 5) The independent auditor's report on compliance for the major federal award programs for Decision Research expresses an unmodified opinion.
- 6) Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this schedule.
- 7) The program tested as a major program was:

Research and Development Cluster:

11.431	Department of Commerce National Oceanic & Atmospheric Administration Programs
20.108	Department of Transportation Federal Aviation Administration Programs
43.001	National Aeronautics and Space Administration Programs
43.002	National Aeronautics and Space Administration Programs
47.041	National Science Foundation Programs
47.075	National Science Foundation Programs
66.123	Environmental Protection Agency Programs
66.926	Environmental Protection Agency Programs
93.077	Department of Health and Human Services National Institutes of Health Programs
93.172	Department of Health and Human Services National Institutes of Health Programs
93.279	Department of Health and Human Services National Institutes of Health Programs
93.879	Department of Health and Human Services
93.865	Department of Health and Human Services
97.061	Department of Homeland Security
97.065	Department of Homeland Security

- 8) The threshold for distinguishing between Type A and Type B programs was \$300,000.
- 9) Decision Research was not considered a low-risk auditee under OMB Circular A-133 §____.530.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Fiscal Year Ended March 31, 2015

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2015-1

Type of Finding: Significant deficiency in internal control over financial report and compliance, and noncompliance required to be reported under OMB Circular A-133 §____.510.

Federal Program: Research and Development Cluster

Questioned Costs: None.

Condition: Annual financial reporting has been delayed in the past several years.

Criteria: OMB Circular A-133 §____.320 requires that the audit be completed within nine months after the end of the audit period.

Cause: Delay was primarily the result of several errors noted during audit procedures performed. Although many of the errors were not material in amount or nature, additional time was required by administrative personnel to provide sufficient supporting documentation, which in turn required additional time and effort by the auditor.

Effect: Financial reports and Single Audit submissions were delayed.

Recommendation: We recommend Decision Research review the current processes in place to ensure there is adequate staffing in the accounting department as well as proper review of accounting department work throughout the year. We also recommend that all accounting personnel receive continuous training to ensure they are up to date on appropriate policies and procedures.

Management's Corrective Action Plan: Decision Research is replacing the current Accountant with a person having significantly more advanced training, as well as much broader experience with Federal grant funding and the responsibilities of a non-profit Controller. The new Accountant will start April 4th. She is accomplished in managing the administration of Federal grants including conformance with the new OMB Uniform Guidance, financial requirements and reporting, preparation of 990s and CT 12s (state return), and improving internal controls. Decision Research will provide the Accountant appropriate training in policies, procedures, and new requirements. The new Accountant will be supervised by the Administrator to ensure compliance with all federal regulations and timely financial reporting.

Finding 2015-2

Type of Finding: Significant deficiency in internal control over compliance and noncompliance required to be reported under OMB Circular A-133 §____.510.

Federal Program: Research and Development Cluster

Questioned Costs: None.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Fiscal Year Ended March 31, 2015

Finding 2015-2, continued

Criteria: It is the responsibility of Decision Research's management to design and implement adequate internal controls over compliance in accordance with 2 CFR §200.331, and ensure those controls are functioning as intended.

Condition: During our testing of internal controls over compliance and compliance with respect to the subrecipient monitoring compliance requirement, we noted an instance where a subrecipient audit certification report was received by Decision Research indicating that either material weaknesses, material instances of noncompliance, or findings related to the sub-award provided by Decision Research were identified, however, there was no follow up by Decision Research regarding the issues identified in the certification until brought to management's attention by the auditor. Subsequent communication with the subrecipient revealed the certification was incorrectly completed and no such issues had been identified in relation to the sub-award. Documentation and follow up on subrecipient certifications is considered a key internal control for the subrecipient monitoring compliance requirement, as well as a key step in appropriately monitoring subrecipients.

Cause: Lack of thorough review and follow up on subrecipient audit certifications.

Effect of Condition: This introduces the possibility that federal funds Decision Research passes through to subrecipients could be being used for unauthorized purposes.

Recommendation: We recommend Decision Research review the current process in place for review of subrecipient audit certifications and evaluate the need to revise the process to ensure that all certifications are thoroughly reviewed and any necessary follow up is completed in a timely manner.

Management's Corrective Action Plan: Decision Research has instituted the following procedures:

Prior to submitting a proposal to a federal agency Decision Research now requires potential sub-recipients to fill out a Subpart F (formally A-133) audit certification report. This disclosure form requires the potential sub-recipient to indicate whether they have completed a Subpart F audit for the most recent fiscal year, and if they have, whether or not there are audit findings. Those findings, if any, are reviewed and discussed prior to submission of the proposal to ensure we have a reasonable assurance of the sub-recipients' ability to receive and properly handle federal funding. If an award is made, we also require current sub-recipients of federal funds to complete the same Subpart F disclosure form on a yearly basis. Decision Research verifies that information the sub-recipients are telling Decision Research is accurate by accessing the Federal Audit Clearinghouse website.

Decision Research has created an Excel document that tracks receipt of all sub-recipients' A-133/Subpart F audit certification reports. The Excel document includes the date the forms were received, a hyperlink to access the forms, and indicates whether there were auditor's findings and what the findings detailed. This monitoring document is reviewed by responsible administrative personnel no less often than monthly. If a sub-recipient's audit has findings, they review the findings and develop an individualized management plan to monitor the sub-recipient's accounting and internal control practices. Depending upon the nature of the findings, the management plan developed may include reviewing policies and procedures on accounting and internal control to determine adequacy and whether or not they are followed, monitoring source documentation and postings to the ledgers, on-site visits, or other appropriate actions.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Fiscal Year Ended March 31, 2015

Finding 2015-3

Type of Finding: Significant deficiency in internal control over compliance required to be reported under OMB Circular A-133 § 510.

Federal Program: Research and Development Cluster

Questioned Costs: None.

Criteria: It is the responsibility of Decision Research's management to design and implement adequate internal controls over compliance in accordance with OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, and ensure those controls are functioning as intended.

Condition: During our testing of internal controls over compliance and compliance with respect to the compliance requirement of allowable costs and allowable activities, we noted four instances where fringe benefits were either incorrectly calculated or fringe benefits were not allocated among grants in accordance with Decision Research's allocation policy (based on a ratio of wages allocated to each grant divided by total wages for the month). In two cases, a revision had been made to the calculation after the allocation had already been reviewed by a person other than a preparer without evidence of a second review. In the other two cases, employee medical premiums utilized in the calculation either did not agree to the source document or were unable to be reconciled back to the source document due to a lack of a clear audit trail.

Cause: Lack of adequate training for the preparer and lack of thorough review by an individual within Decision Research who has the suitable skills, knowledge, and experience to evaluate whether fringe has been appropriately allocated among grant programs.

Effect of Condition: This introduces the possibility that material errors in payroll calculations and allocations would not be caught and corrected which could lead to requested draws for cost reimbursement grants being incorrect and federal funds being used for unallowable activities or unallowable costs being charged to the federal program.

Recommendation: We recommend Decision Research review the current process for determining allocation of fringe benefits among grant programs and evaluate the need to revise the process to ensure that revisions made to the fringe allocation subsequent to initial approval are also being thoroughly reviewed in a timely manner.

Management's Corrective Action Plan: During the current fiscal year, FY 2016, Decision Research created the position of, and hired, a Human Resources Coordinator. The job duties of the Human Resources Coordinator include actively reviewing all calculations and allocations assuring fringe benefits are calculated correctly and allocated in accordance with Decision Research policies for at least one year, and until consistency and controls permit audit verification. In the case of this finding, the Administrator had spot reviewed allocations and calculations, but this has proven not to be adequate assurance that charges are always appropriately accounted for. Decision Research will ensure the new Accountant adheres to strict audit trail requirements in all accounting activity so reconciliation of charges are readily available to anyone looking at our records.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
dba Decision Research
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Fiscal Year Ended March 31, 2015

Prior Year Findings – Major Federal Award Program Audit

Finding 2014-1: Timeliness of financial reporting

Type of Finding: Significant deficiency in internal control over financial reporting and noncompliance required to be reported under OMB Circular A-133 §____.510.

Condition: Annual financial reporting has been delayed for several months in the past four years.

Criteria: OMB Circular A-133 §____.320 requires that the audit be completed within nine months after the end of the audit period.

Cause: A lack of responsiveness from staff was the primary reason for the delay. The staff made an attempt in late November to complete the audit process on time. However, the auditor had to put off completing the audit until after tax season due to existing commitments.

Effect: Financial reports and Single Audit submissions were delayed.

Management's Corrective Action Plan: Several new steps have been taken to ensure that the audit is completed in a timely fashion. In the future: 1) A new computerized accounting system has been purchased and implemented, 2) A new administrative position has been created to ease the burden of all administrative staff, and 3) regular weekly coordination and oversight meetings involving all of the administrative staff has been implemented. Officers and Board of Directors also routinely attend these meetings.

2015 Follow up: We noted improvements in the responsiveness of Decision Research's staff during the fiscal year 2015 audit. We noted the audit submissions for 2015 were again delayed, however, it was the result of other circumstances. See Finding 2015-1.