

**DECISION SCIENCE RESEARCH INSTITUTE, INC.  
dba DECISION RESEARCH**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT INFORMATION**

**For the Years Ended March 31, 2017 and 2016**



DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
FINANCIAL STATEMENTS  
AND SINGLE AUDIT INFORMATION  
For the Years Ended March 31, 2017 and 2016

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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, 2017 and 2016, 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.

## **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, 2017 and 2016, 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**

### *Other Information*

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 19, 2017, 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  
December 19, 2017

## FINANCIAL STATEMENTS

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
 STATEMENTS OF FINANCIAL POSITION  
 March 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 392,814	\$ 313,376
Grants and contracts receivable	104,107	318,090
Prepaid expenses and other assets	14,652	24,590
Total current assets	511,573	656,056
<b>Fixed assets</b>		
Furniture and equipment	92,802	92,802
Accumulated depreciation	(91,265)	(88,303)
Fixed assets, net	1,537	4,499
<b>Intangible assets</b>		
Intangible assets	5,323	5,323
Accumulated amortization	(5,323)	(5,323)
Intangible assets, net	-	-
<b>Total assets</b>	<b>\$ 513,110</b>	<b>\$ 660,555</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 29,391	\$ 46,210
Accrued payroll and related expenses	49,806	75,181
Accrued paid time off	115,917	144,002
Accrued pension expense	4,684	6,155
Deferred revenue	60,734	34,561
Total current liabilities	260,532	306,109
<b>Net assets, unrestricted</b>	<b>252,578</b>	<b>354,446</b>
<b>Total liabilities and net assets</b>	<b>\$ 513,110</b>	<b>\$ 660,555</b>

The accompanying notes are an integral part of these statements.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
 STATEMENTS OF ACTIVITIES  
 For the Years Ended March 31, 2017 and 2016

	2017	2016
<b>Revenues</b>		
Grants and contracts:		
Federal and federal pass-through	\$ 1,055,185	\$ 1,846,444
Non-federal	124,546	35,760
Total grants and contracts	1,179,731	1,882,204
Interest and dividend income	6	6
Royalties	6,223	1,330
Unrealized/realized gains (losses)	-	7,053
Contributions	10,812	-
Miscellaneous income	3,015	2,879
Total revenues	1,199,787	1,893,472
<b>Expenses</b>		
Program services - non-federal funds:		
Publishing	-	2,460
Web Panel Services	193	4,010
Mturk - Indirect	-	3,342
Benefit/Risk Perceptions of Prescription Drugs II	36	-
Judgments of Real Life Functions	429	1,315
Analysis for Quantitative and Qualitative Perception Data	-	952
U of O Workshop Coordination	-	2,121
Media Analysis of the Pure Water Brew Project	8,621	1,464
Pseudoinefficacy in Voluntary Resource Allocation: Understanding the Psychology of Charitable Giving	27,423	-
Lone Wolf - Texas A&M	29,333	-
Total program services - non-federal funds	66,035	15,664
Program services - federal pass-through funds:		
National Center for Risk and Economic Analysis of Terrorism Events	-	35,162
Dynamic Aviation Risk Management System (DARMS): A Proof of Concept Study Incorporating Game Theory and Multi-Attribute Utility	-	78,306
Dynamic Aviation Risk Management System (DARMS): Research Study to Demonstrate a Proof-of-Concept	49,172	46,330
Pseudoinefficacy, a New Approach to Deterrence: Exploiting the Connection Between Perceived Risk, Affect, and Self-Efficacy	27,885	1,462
Pre-Disaster Mitigation: Training Material for Decision Makers	-	8,821
Modeling Cognitive Response to CMAS Alerts and Warnings to Inform Emergency Response Interventions	-	1,064
Operational Decision Making in Increasingly Automated Aerospace Environments	9,007	24,047
NSEC: Center for Nanotechnology in Society	-	6,385
Seasonal Climate Signals: Developing a Community of Practice in Emergency Management of Droughts and Floods	-	1,031
Adapting a Decision-Making Task to Explore its ERP Correlates in Youth and Adults	1,942	661

	2017	2016
<b>Expenses, continued</b>		
Program services - federal pass-through funds, continued:		
The Science of Decision Making: Connecting People and Policy	32,887	4,955
Visual Simulation and Visually Based Control Research	-	16
Total program services - federal pass-through funds	<u>120,893</u>	<u>208,240</u>
Program services - direct federal funds		
Development of Normal Procedures for Airline Operations	12,408	257,323
Hazard Manager Stereotypes as Influences on Trust, Confidence and Cooperation	78,944	34,929
Understanding Decisions about Foreign Policy Interventions to Save Lives	-	23,355
The Arithmetic of Compassion: Confronting the challenge of Pseudoefficey in Charitable Giving	91,127	69,149
RAPID: Evaluating Ebola Message Effects over Time: Risk, Perceptions, in & Attributions of Responsibility to Instituions, Personal Behavior & Policy	-	50,945
Public Interpretations of and Response to Scientific Disputes	53,292	36,579
Valuing Lives You Can Save: Understanding and Combatting Value Collapse as Numbers Increase	13,444	19,777
The Singularity Effect of Identifiable Victims: Is It a Matter of Culture and Education?	-	68,441
Developing Guidelines to Aid in Communicating Uncertainty	69,558	69,799
Decision-Makers Use of Climate Science in Flood Planning and Management	-	1,664
Detecting and Mitigating Automation Surprises	64,038	168,437
Decision Making and Dysregulation Pathways in Adolescents with Parental SUD History	12,089	79,274
Developing Indigenous Health Indicators to Reflect Community Health Priorities	-	81,622
Psychological Mechanisms Behind Organ Donation Decisions	80,048	-
RAPID: Assessing the Variance, Effects, and Sources of Aversion to Zika Solutions	41,651	-
Total program services - direct federal funds	<u>516,599</u>	<u>961,294</u>
Total program services	703,527	1,185,198
Support services	<u>598,128</u>	<u>687,664</u>
Total expenses	<u>1,301,655</u>	<u>1,872,862</u>
<b>Change in unrestricted net assets</b>	(101,868)	20,610
Net assets, unrestricted, beginning of year	<u>354,446</u>	<u>333,836</u>
<b>Net assets, unrestricted, end of year</b>	<u>\$ 252,578</u>	<u>\$ 354,446</u>

The accompanying notes are an integral part of these statements.



DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended March 31, 2017 and 2016

	2017	2016
<b>Cash flows from operating activities</b>		
Change in unrestricted net assets	\$ (101,868)	\$ 20,610
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	2,962	3,868
Unrealized/realized gains on investments	-	(7,053)
(Increase) decrease in:		
Grants and contracts receivable	213,983	49,306
Accounts receivable	-	2,269
Prepaid expenses and other assets	9,938	(2,987)
Increase (decrease) in:		
Accounts payable	(16,819)	(56,241)
Accrued payroll and related expenses	(25,375)	14,514
Accrued paid time off	(28,085)	27,979
Accrued pension expense	(1,471)	286
Deferred revenue	26,173	(4,465)
Net cash provided by operating activities	79,438	48,086
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	17,481
<b>Net increase in cash and cash equivalents</b>	79,438	65,567
Cash and cash equivalents, beginning of year	313,376	247,809
Cash and cash equivalents, end of year	\$ 392,814	\$ 313,376

The accompanying notes are an integral part of these statements.

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. dba Decision Research (Decision Research) 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. Decision Research is subject to regulatory action surrounding these grants and contracts.

Decision Research 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**

Decision Research'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 \$1,219 and \$1,711 at March 31, 2017 and 2016, respectively.

**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.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
NOTES TO FINANCIAL STATEMENTS

**1. Organization and Summary of Significant Accounting Policies, continued**

**Fixed Assets, continued**

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

**Revenue Recognition**

Decision Research 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, Decision Research has been granted exemption from state and federal income taxes. Decision Research 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.

**2. 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 Decision Research. 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, 2017:

<u>Year Ending March 31,</u>	
2018	\$ 90,615
2019	93,333
2020	87,902
2021	-
2022	-
Total	<u>\$ 271,850</u>

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
NOTES TO FINANCIAL STATEMENTS

**2. Commitments and Contingencies, continued**

The term of the lease is five years ending February 28, 2020. Both parties have the right 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, 2017 and 2016, were \$87,975 and \$85,413, respectively.

Decision Research had a month-to-month rental agreement with an employee of Decision Research for the use of home office space which expired December 2015. Rent expense under the agreement for the fiscal years ended March 31, 2017 and 2016 amounted to \$0- and \$610, respectively.

**3. Employee Retirement Plan**

Decision Research maintains a defined contribution pension plan for substantially all permanent employees. Employees are 100 percent vested in employer contributions. Effective January 1, 2016, Decision Research contributes an amount equal to 6 percent of compensation as a profit-sharing contribution, and will make safe-harbor matching contributions equal to 100 percent of employee salary deferrals up to 3 percent of compensation, plus 50 percent of salary deferrals greater than 3 percent, up to and including 5 percent of compensation.

Employer contributions to the plan for the fiscal years ended March 31, 2017 and 2016, were \$70,876 and \$75,185, respectively.

**4. Concentrations**

During 2017, Decision Research received grant revenue of approximately 45 percent from four grant contracts. During 2016, Decision Research received grant revenue of approximately 33 percent from two grant contracts.

**5. 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.

## SINGLE AUDIT INFORMATION

**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, 2017, 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 December 19, 2017.

**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 a 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 have not been 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. See Finding 2017-001.

## **Compliance and Other Matters**

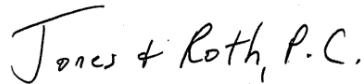
As part of obtaining reasonable assurance about whether Decision Research's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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  
December 19, 2017

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

**The Right People Beside You.**

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## Report on Internal Control over Compliance

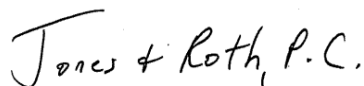
Management of Decision Research is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decision Research's internal control over compliance 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 the Uniform Guidance, 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 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jones & Roth, P.C.  
Eugene, Oregon  
December 19, 2017

**DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended March 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Federal Program Name/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>
<b>National Science Foundation</b>		
Direct Grants:		
Social, Behavioral, and Economic Sciences:		
1. Valuing Lives You Can Save: Understanding and Combatting Value Collapse as Numbers Increase	47.075	
2. Psychological Mechanisms Behind Organ Donation Decisions	47.075	
3. Developing Guidelines to Aid in Communicating Uncertainty	47.075	
4. Hazard Manager Stereotypes as Influences on Trust, Confidence, and Cooperation	47.075	
5. RAPID: Assessing the Variance, Effects, and Sources of Aversion to ZIKA Solutions	47.075	
6. PUBLIC Interpretations of and Responses to Scientific Disputes	47.075	
7. The Arithmetic of Compassion: Confronting the Challenge of Pseudoefficacy in Charitable Giving	47.075	
Total Social, Behavioral, and Economic Sciences Program		
Total National Science Foundation		
<b>National Aeronautics and Space Administration</b>		
Direct Grants:		
Science:		
8. Detecting and Mitigating Automation Surprises	43.001	
Passed through ASRC Research & Technology Solutions		
Aeronautics:		
9. Operational Decision Making in Increasingly Automated Aerospace Environments	43.002	ART866
Total National Aeronautics and Space Administration		
<b>Department of Health &amp; Human Services - National Institutes of Health</b>		
Direct Grants:		
Drug Abuse and Addiction Research Programs:		
10. Decision Making and Dysregulation Pathways in Adolescents with Parental SUD History	93.279	
Passed through Oregon Social Learning Center:		
Child Health and Human Development Extramural Research:		
11. Adapting a Decision-Making Task to Explore its ERP Correlates through Adolescence	93.865	5R21HD072363
Passed through Georgia State University:		
Family Smoking Prevention and Tobacco Control Act Regulatory Research:		
12. The Science of Decision Making: Connecting People & Policy	93.077	SP00012097-3
Total Department of Health & Human Services		
<b>Department of Transportation - Federal Aviation Administration</b>		
Direct Grants:		
Aviation Research Grants:		
13. Development of Normal Procedures for Airline Operations	20.108	
<b>Department of Homeland Security</b>		
Passed through University of Southern California:		
Centers for Homeland Security:		
14. Dynamic Aviation Risk Management System (DARMS): Research Study to Demonstrate a Proof-of-Concept	97.061	66783303
15. Pseudoinefficacy, a New Approach to Deterrence: Exploiting the Connection Between Perceived Risk, Affect, and Self-Efficacy	97.061	66108487
Total Centers for Homeland Security Program		
Total Department of Homeland Security		
<b>Total Research and Development Cluster:</b>		

	Award Amount	Accrued or (Deferred) Revenue at March 31, 2016	Receipts	Expenditures	Accrued or (Deferred) Revenue at March 31, 2017	Expenditures passed through to subrecipients
<b>National Science Foundation</b>						
1.	\$ 449,998	\$ 5,861	\$ 27,823	\$ 23,509	\$ 1,547	\$ -
2.	336,812	-	96,182	123,595	27,413	40,991
3.	599,989	18,211	137,139	118,928	-	-
4.	240,048	29,095	126,078	133,166	36,183	-
5.	94,960	-	66,961	69,975	3,014	-
6.	245,847	8,106	89,427	89,527	8,206	-
7.	449,998	10,653	151,533	156,856	15,976	-
	<u>2,417,652</u>	<u>71,926</u>	<u>695,143</u>	<u>715,556</u>	<u>92,339</u>	<u>40,991</u>
	<u>2,417,652</u>	<u>71,926</u>	<u>695,143</u>	<u>715,556</u>	<u>92,339</u>	<u>40,991</u>
<b>National Aeronautics and Space Administration</b>						
8.	1,200,000	62,556	170,373	107,817	-	-
9.	<u>90,222</u>	<u>769</u>	<u>15,063</u>	<u>18,285</u>	<u>3,991</u>	<u>2,492</u>
	<u>1,290,222</u>	<u>63,325</u>	<u>185,436</u>	<u>126,102</u>	<u>3,991</u>	<u>2,492</u>
<b>Department of Health &amp; Human Services - National Institutes of Health</b>						
10.	520,098	21,192	49,838	28,646	-	599
11.	50,921	-	3,249	3,249	-	-
12.	<u>253,634</u>	<u>18,855</u>	<u>54,800</u>	<u>43,723</u>	<u>7,778</u>	<u>-</u>
	<u>824,653</u>	<u>40,047</u>	<u>107,887</u>	<u>75,618</u>	<u>7,778</u>	<u>599</u>
<b>Department of Transportation - Federal Aviation Administration</b>						
13.	<u>869,585</u>	<u>51,239</u>	<u>67,611</u>	<u>16,372</u>	<u>-</u>	<u>-</u>
<b>Department of Homeland Security</b>						
14.	237,000	85,449	160,498	75,049	-	-
15.	<u>50,000</u>	<u>2,518</u>	<u>49,505</u>	<u>46,987</u>	<u>-</u>	<u>-</u>
	<u>287,000</u>	<u>87,967</u>	<u>210,003</u>	<u>122,036</u>	<u>-</u>	<u>-</u>
	<u>287,000</u>	<u>87,967</u>	<u>210,003</u>	<u>122,036</u>	<u>-</u>	<u>-</u>
	<u>\$ 314,504</u>	<u>\$ 1,266,080</u>	<u>\$ 1,055,684</u>	<u>\$ 104,108</u>	<u>\$ 44,082</u>	

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**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, changes in net assets, or the revenues and expenditures of Decision Research.

**2. Significant Accounting Policies**

**Reporting Entity**

The reporting entity is fully described in Note 1 to Decision Research's financial statements. The Schedule includes all federal financial assistance programs obtained by Decision Research for the fiscal year ended March 31, 2017.

**Basis of Presentation and Accounting**

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Receipts and expenditures of federal awards are accounted for under the accrual method of accounting. Revenues are recorded when earned or, in the case of grants where expenditures are the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred.

**Federal Financial Assistance**

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between Decision Research and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Major Programs**

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance Subpart F 200.518. Programs with similar requirements may be grouped into a cluster for testing purposes.

**3. Indirect Cost Rate**

Decision Research did not elect to use the ten percent (10%) de minimis indirect cost rate of modified total direct costs allowed under the Uniform Guidance.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended March 31, 2017

**Summary of Auditor's Results**

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of Decision Research.
- 2) One significant deficiency in internal control was disclosed by the audit of the financial statements. No material weaknesses are disclosed.
- 3) No 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) One significant deficiency in internal control over the major federal award program was 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 program for Decision Research expresses an unmodified opinion on the major federal program.
- 6) Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.
- 7) The program tested as a major program was:
  - Research and Development Cluster:
  - 20.108 Development of Normal Procedures for Airline Operations
  - 43.001 Detecting and Mitigating Automation Surprises
  - 43.002 Operational Decision Making in Increasingly Automated Aerospace Environments
  - 47.075 Social, Behavioral, and Economic Sciences
  - 93.077 Family Smoking Prevention and Tobacco Control Act Regulatory Research
  - 93.279 Drug Abuse and Addiction Research Programs
  - 93.865 Child Health and Human Development Extramural Research
  - 97.061 Centers for Homeland Security
- 8) The threshold for distinguishing between Type A and Type B programs was \$750,000.
- 9) Decision Research does not qualify as a low-risk auditee.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended March 31, 2017

**Findings – Financial Statement Audit**

**2017-001**

**Type of Finding:** Significant deficiency in internal control over financial reporting.

**Condition:** During our tests of internal controls over financial reporting and compliance, and tests of compliance with respect to the compliance requirements of allowable costs, allowable activities, and period of performance, we found three instances where the related expenses were either inaccurately classified or were not recorded in the appropriate fiscal period.

**Criteria:** It is the responsibility of management to design and implement adequate internal controls over financial reporting and over compliance in accordance with the Uniform Guidance, to provide reasonable assurance that expenses are properly classified and recorded in the appropriate fiscal period.

**Context:** A sample of 40 non-payroll transactions during fiscal year 2016-17 was selected for audit from a population of 685 non-payroll transactions. The testing found three instances where the expenses were either inaccurately classified or were not recorded in the appropriate fiscal period. In one instance, the disbursement was for a software subscription where the subscription period overlapped fiscal years 2016-17 and 2017-18. The entire amount was expensed in fiscal year 2016-17 rather than the portion related to fiscal year 2017-18 of \$2,310 being classified as a prepaid asset at year-end. In the second instance, the disbursement was for professional services performed in fiscal years 2015-16 and 2016-17 where the full amount was recorded in fiscal year 2016-17. The total value of prior period services recorded in fiscal year 2016-17 was \$251. The third instance was a disbursement for credit card charges where various purchases were incurred in both fiscal years 2015-16 and 2016-17, but the entire amount was expensed in fiscal year 2016-17. The value of prior period expenses recorded in fiscal year 2016-17 for this transaction was \$2,022. Our sample was a statistically valid sample.

**Effect:** This introduces the possibility that federal funds could be expended in excess of funds available, used for unallowable activities/costs, or incurred outside of the grant period of performance.

**Cause:** Internal controls in place were not sufficiently designed or implemented to ensure expenses were accurately classified and recorded in the appropriate fiscal period.

**Recommendation:** We recommend management assess the procedures and internal controls in place and revise to ensure adequate reviews, by individuals at an appropriate authorization level, are performed to verify expenditures are properly classified and recorded in the appropriate period.

**Views of Responsible Officials and Planned Corrective Actions:** Decision Science Research Institute, Inc. agrees with the findings, conclusions, and recommendations of Jones & Roth and we thank them for their thorough and professional audit of our financial statements. Procedures and internal controls successfully designed to correct Finding 2016-001 have been refined, automated, and expanded to all types of payments. In addition, steps have been added at month-end and year-end to flag prepaid expenses and improve reporting accuracy. Refer to Corrective Action Plan attached.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended March 31, 2017

**Findings and Questioned Costs – Major Federal Award Program Audit**

**2017-002**

**Type of Finding:** Significant deficiency in internal control over compliance and instance of immaterial non-compliance.

**Federal Agency / Pass-through entity / CFDA No / Program Title / Federal Award No / Federal Award Year:** Research and Development Cluster programs as included on the Schedule of Expenditures of Federal Awards. Refer to pages 14 and 15.

**Reportable Questioned Costs:** None.

**Summary:** As discussed at Finding 2017-001, during our tests of internal controls over financial reporting and compliance, and tests of compliance with respect to the compliance requirements of allowable costs, allowable activities, and period of performance, we found three instances where the related expenses were either inaccurately classified or were not recorded in the appropriate fiscal period. This introduces the possibility that federal funds could be expended in excess of funds available, used for unallowable activities/costs, or incurred outside of the grant period of performance. See Finding 2017-001 for auditor's recommendation, views of responsible officials and planned corrective actions.

A similar finding was reported during the prior year audit. See Finding 2016-001.

DECISION SCIENCE RESEARCH INSTITUTE, INC. dba DECISION RESEARCH  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended March 31, 2017

**Prior Year Findings – Financial Statement Audit**

None.

**Prior Year Findings – Major Federal Award Program Audit**

**2016-001**

**Type of Finding:** Significant deficiency in internal control over compliance and instance of immaterial non-compliance.

**Federal Agency / Pass-through entity / CFDA No / Program Title / Federal Award No / Federal Award Year:** Research and Development Cluster programs as included on the Schedule of Expenditures of Federal Awards. Refer to pages 15 and 16.

**Condition:** During our testing of internal controls over compliance and compliance with respect to the compliance requirement of allowable costs and allowable activities, we found three instances, out of a sample of 40 non-payroll disbursements, where the related expenses were either inaccurately classified or not recorded in the appropriate fiscal period. In two of the cases, the disbursements were for consulting invoices that included services performed in fiscal years 2013-14 and 2014-15, but were recorded in fiscal year 2015-16. The total value of prior period services recorded in fiscal year 2015-16 was \$1,775. The third case was a disbursement for insurance premiums for the subsequent fiscal year, but was inaccurately expensed in fiscal year 2015-16.

**Recommendation:** We recommended management review the procedures and internal controls in place and revise to ensure consultants and subcontractors submit invoices to the organization timely and reviews were in place to verify expenditures are properly classified and recorded in the appropriate period.

**Current Status:** Management's corrective active plan, as reported in the prior year, specifically related to consulting and subaward invoices and insurance payments appears to have been implemented, however similar instances of inaccurately classified expenses or expenses recorded in the incorrect period reoccurred during the fiscal year 2016-17 audit. Refer to Findings 2017-001 and 2017-002.



December 15, 2017

### **Corrective Action Plan**

#### **Findings 2017-001 and 2017-002**

In the Current Status section of Finding 2016-001, auditors reported that Management's prior-year corrective action plan specifically related to consultants and subcontractors appears to have been implemented. In conjunction with the successful implementation of increased oversight and improved procedures and internal controls in those specific areas, the new Administrator and Accountant worked together to refine, automate, and expand those improvements to all types of payments, and to train administrative and accounting staff in new procedures.

Invoices are scanned to our Accountant upon receipt and paid weekly and the books are closed each month, ensuring increased accuracy and timeliness, and greatly reducing the accounting and administrative burden that previously occurred at the end of each fiscal year. Closing the books each month is an improvement made after the instances in Findings 2017-001 and 002 that resulted in services and purchases recorded erroneously in fiscal year 2016-17. In addition, steps have been added at month-end and year-end to flag prepaid expenses and improve reporting accuracy.

We are not reporting an anticipated completion date for this action plan because it has already been implemented. However, policies, procedures, and internal controls are reviewed, improved, and refined on an ongoing basis.

Person responsible for this corrective action:

Leisha Wharfield, Administrator