



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

MEMORANDUM

DATE: September 25, 2023

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree Marshall

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Performance Audit Over the Adequacy and Cost Accounting Standards Compliance of Disclosure Statement, Revision 2, for International Aids Vaccine Initiative, Inc. (3-000-23-001-D)

This memorandum transmits the final audit report on International Aids Vaccine Initiative, Inc. (IAVI). USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division contacted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that it conducted the audit in accordance with generally accepted government audit standards (GAGAS). DCAA is responsible for the report and the conclusions expressed in it. We do not express an opinion on IAVI's disclosed accounting practices; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The objective of this audit was to express an opinion on whether IAVI's revised disclosure statement (Revision 2) is in compliance with Cost Accounting Standards (CAS) and applicable Federal Acquisition Regulation (FAR) Part 31. To answer the audit objective, DCAA selected procedures dependent on its judgement, including an assessment of the risks of noncompliance, whether due to fraud or error, and involved the examination of evidence about the disclosed cost accounting practices.

DCAA expressed a qualified opinion. DCAA stated that, in its opinion, IAVI disclosed cost accounting practices are not materially in compliance with the CAS and FAR Part 31. DCAA identified two accounting practices were noncompliant with CAS: (1) IAVI's disclosed cost accounting practice is not in compliance with 48 CFR 9904. 2 CFR 401 (b) requires contractors, unless exempted from 2 CFR 200 Subpart E Cost Principles, to comply with the CAS at 48 CFR 9904, which applies directly to the CAS-Covered contracts and takes

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

precedence over the Subpart E Cost Principles. IAVI disclosed that the Cost Principles at 2 CFR 200, Subpart E is dictated due to its status as a non-profit. IAVI is not exempted from 2 CFR 200 Subpart E Cost Principles and must follow the provisions within 48 CFR 9904; and (2) IAVI's disclosed cost accounting practice is not in compliance with 48 CFR 9904.410-40(b)(1) and 48 CFR 9904.410-50(d) as the disclosed G&A allocation base does not conform with any of the three prescribed bases within the provision. In DCAA's opinion, except for the two-noncompliance described above, IAVI's disclosed cost accounting practices comply, in all material respects, with CAS and FAR Part 31.

To address the issue identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch.

Recommendation 1. Verify that IAVI corrects the two instances of material noncompliance detailed on pages 1 and 3 of the audit report.

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

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.