



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** March 7, 2022

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Supervisory Auditor, Eleanor C. Jefferson

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

**SUBJECT:** Financial Audit Report of Shell Foundation for the Year Ended December 31, 2016 (3-000-22-010-R)

This memorandum transmits the final audit report on the recipient contracted audit of Shell Foundation for the year ended December 31, 2016. Shell Foundation contracted with the independent certified public accounting firm Sayer Vincent LLP to conduct the audit. Sayer Vincent LLP stated that it performed its audit in accordance with generally accepted government auditing standards, and the *Guidelines for Financial Audits Contracted by Foreign Recipients*.<sup>1</sup> However, it did not have a continuing professional education program that fully satisfied generally accepted government auditing standards and did not have an external peer review by unaffiliated organization because such a program is not available in the United Kingdom (UK). Sayer Vincent LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Shell Foundation's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>2</sup>

The audit objectives were to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate Shell Foundation's internal control; and (3) determine whether Shell Foundation complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed procedures to evaluate the effectiveness of the design and operation of the internal controls that were considered relevant to detecting material noncompliance with the

---

<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the guidelines.

<sup>2</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

compliance requirements applicable to each of Shell Foundation's U.S. government awards, reviewed applicable documents, and performed those tests which it considered necessary. The audit covered USAID audited expenditures of \$802,670 for the year ended December 31, 2016.

Sayer Vincent LLP issued a modified opinion concluding that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$132,497 in total questioned costs (\$38,348 ineligible and \$94,149 unsupported); a material weaknesses in internal control for the lack of financial reports detailing costs charged against the project by subrecipients and the lack of detailed review of such reports; and two instances of material noncompliance due to (a) Unsupported staff leave accrual, and (b) Non-staff costs charged to the project. In addition, we are questioning \$252,670 (ineligible) as an unexplained excess of incurred costs over the \$550,000 budget (\$802,670 minus \$550,000), for award AID-OAA-A-14-00063 for the period under audit. The recipient is required to seek and obtain prior authorization from the contracting/agreement officer before incurring expenses greater than ten percent of the award budget; the excess here is 46 percent.

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

**Recommendation 1.** Determine the allowability of \$132,497 in questioned costs (\$38,348 ineligible, \$94,149 unsupported) on pages 11 and 12 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Determine the allowability of \$252,670 in questioned costs (ineligible) for the incurred amounts, \$802,670, in excess of award budget, \$550,000, on page 11 of the audit report and recover any amount that is unallowable.

**Recommendation 3.** Verify that Shell Foundation corrects the material weakness in internal control detailed on pages 15 and 16 of the audit report.

**Recommendation 4.** Verify that Shell Foundation corrects the two instances of material noncompliance detailed on pages 17 and 19 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").