



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 18, 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, 2017 (3-000-22-013-R)

This memorandum transmits the final audit report on the recipient contracted audit of Shell Foundation for the year ended December 31, 2017. 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 *USAID Financial Audit Guide for Foreign Organizations*. 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. 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>1</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 compliance requirements applicable to each of Shell Foundation's U.S. government awards, reviewed applicable documents, and performed those tests which it considered necessary.

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

The audit covered USAID audited expenditures of \$3,435,731 for the year ended December 31, 2017.

Sayer Vincent LLP issued an unmodified opinion concluding that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreement and in conformity with the modified accrual basis of accounting. The audit firm identified \$542 in total questioned costs (\$542 unsupported) arising from a non-material compliance issue; a material weakness in internal control for the lack of financial reports detailing costs charged against the PACE project by subrecipients and the lack of detailed review of such reports – which is a repeat of the previous year’s due to delays in the audit process that did not allow Shell Foundation to implement the recommended new procedures in the 2017 financial year; and a non-material deficiency in internal control due to the lack of documentation of review of the allocation of subrecipient staff costs to the PACE project. Since the questioned costs did not meet the OIG’s established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID’s Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$542 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the deficiency or instances of noncompliance noted in the report, we suggest that USAID’s Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to USAID’s Chief Financial Officer, dated April 18, 2022.

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.** Verify that Shell Foundation corrects the material weakness in internal control detailed on pages 18 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”).