



OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU

PERFORMANCE AUDIT REPORT

ON

Japan Grant Assistance for Grassroots Human Security Projects

FOR THE
PROJECT FOR PROVISION OF EDUCATIONAL EQUIPMENT
TO ELEMENTARY SCHOOLS IN PALAU



ROTARY CLUB OF PALAU
REPUBLIC OF PALAU

Period from March 28, 2011 thru March 27, 2012

Performed by the Office of the Public Auditor

JPRCP-11-12P*07*01

REPUBLIC OF PALAU



Office of the Public Auditor

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January 9, 2017
Serial#: opa17-037au

Mr. Richard Ziegler
President
Rotary Club of Palau
Koror, Republic of Palau

Subject: Final Audit Report on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for The Project for Provision of Educational Equipment to Elementary Schools in Palau for the period of March 28, 2011 to March 27, 2012

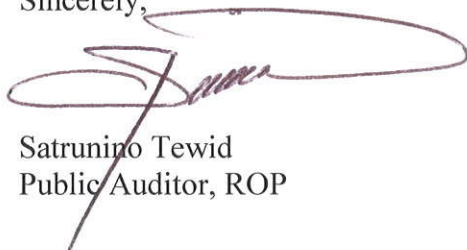
Dear Mr. Ziegler:

This report presents the result of our audit of Japan's Grant Assistance for Grass-Roots Human Security Project for The Project for Provision of Educational Equipment to Elementary Schools in Palau.

The Office of the Public Auditor (OPA) received your response to the Draft Audit Report. The response is published in verbatim in the final report.

If you have any questions regarding the report or subject matters discussed therein, the OPA will be available to discuss such matters at your request.

Sincerely,



Satrunino Tewid
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots Human Security
Project for the for the Project for Provision of Educational
Equipments to Elementary Schools in Palau**

**Rotary Club of Palau
Republic of Palau**

For the Period March 28, 2011 to March 27, 2012

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Dear Mr. Ziegler:

This audit report presents the results of our audit on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for The Project for Provision of Educational Equipment to Elementary Schools in Palau. The audit covered the Grant Contract period from March 28, 2011 to March 27, 2012.

The objective of the audit was to determine whether Rotary Club of Palau administered the project in compliance with (1) the terms of the Grant Contract and (2) the GGP Procurement Guidelines. As a result of our review, the Office of the Public Auditor found only one (1) weakness/deficiency in the execution and administration of the Grant/Project.

Background

GGP Grant Background:

To alleviate the many challenges faced by developing countries, including poverty, starvation, infectious diseases, climate change and environmental issues, the Government of Japan established The Grant Assistance for Grass-Roots Human Security Projects (GGP). The purpose of the project is to assist non-government organizations and local public authorities in responding to various development needs in a prompt and complete manner.

Project Background:

Consistent with the GGP guidelines, Rotary Club applied for and was approved funding through the GGP for the Project for Provision of Educational Equipment to Elementary Schools in Palau. Shown below are the details of the project:

Project Name	Project Amount	Project Scope
The Project for Provision of Educational Equipment to Elementary Schools in Palau	US\$39,480	March 28, 2011 thru March 27, 2012

Rotary Club entered into a Grant Contract with the Embassy of Japan in the Republic of Palau on March 28, 2011. The Grant Contract was signed by Mr. Richard Ziegler, President of the Rotary Club of Palau at the time, and Mr. Yoshiyuki Sadaoka, Ambassador of the Embassy of Japan in the Republic of Palau. The Project was to be completed within one year of the contract date. The Grant Contract states, among other requirements, that the recipient agrees to do the following:

- A. Provide the donor with an official receipt for the grant received,
- B. Provide the donor with documents relevant to the Project such as procurement contracts for products and/or services upon request by the donor,
- C. Use the grant properly and exclusively for the purchase of the products and/or services necessary for the execution of the Project and not to use such products and/or services purchased with the grant for purposes other than the execution of the Project,
- D. Provide the donor with one (1) project completion report to be provided upon the completion of the Project,
- E. Complete the Project within one year after the contract date,
- F. Consult with and receive instructions from the donor in case the recipient wishes:
 - 1. To change how the grant is spent from the original plan in the application
 - 2. To change the contents of the Project
 - 3. To suspend and/or terminate execution of the Project
 - 4. To extend the completion date of the Project
 - 5. To return the grant to the donor
- G. Keep accounting documents that verify how the grant was spent for at least one year after the completion of the Project,
- H. Bear all responsibilities for deaths, injuries, diseases, and any other damages to the members of the recipient in the course of the execution of the Project and to agree that the donor will not be responsible for anything that happens during the execution of the Project,

- I. Consult with the donor on any matter arising in connection with this contract,
- J. Recognize that the donor reserves the right to claim a refund of the grant in case the recipient uses the grant for purposes other than the execution of the Project, or when the recipient suspends or terminates the execution of the Project, and
- K. That this contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

Objective, Scope, and Methodology

Audit Objective: The objective of the audit was to determine whether Rotary Club of Palau administered the project in compliance with (1) the terms of the Grant Contract and (2) the GGP Procurement Guidelines.

Scope: The Audit covered the grant contract period from March 28, 2011 to March 27, 2012.

Methodology: As this is a performance audit, the Office of the Public Auditor (OPA) did not conduct audit procedures to assess the fairness of the financial statements of the Rotary Club or any components or accounts within those financial statements and therefore express no opinion on the financial statements.

We did not conduct audit procedures to determine Rotary Club's compliance with Republic of Palau's Procurement Law and Regulations as the Government of Japan imposed the use of GGP Procurement Guidelines.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Public Auditing Act of 1985 expressly empowers the Office of the Public Auditor to act to prevent fraud, waste, and abuse in the collection and expenditures of public funds. The Public Auditor may make recommendations on the prevention and detection of fraud, waste, and abuse of public funds.

To accomplish our audit objective, the Office of the Public Auditor examined the Project's procurement procedures, receipt and disbursement of funds, reporting mechanisms, and other related requirements pursuant to the Grant Contract and GGP procurement guidelines.

Provision of Educational Equipment to Elementary Schools in Palau

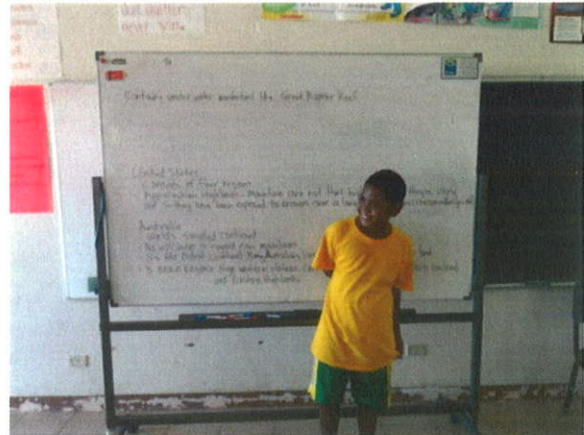
The Rotary Club of Palau was approached by the Embassy of Japan with the idea for a project that would provide educational equipment to elementary schools in Palau. The idea for the project was based on feedback from JICA volunteers who were assisting in schools at the time. The volunteers suggested the provision of magnetic whiteboards to enhance the learning environment for all elementary school children in Palau. With the help of the Ministry of Education, a needs assessment was conducted and determined that 47 magnetic whiteboards were needed for the schools.

Between March 28, 2011 and March 27, 2012, the Rotary Club used the GGP grant to purchase and donate a total of 47 magnetic white boards to 11 elementary schools across Palau, with matching pens and erasers paid for by the Rotary's own funds. On September 1 and 2, 2016, the Office of the Public Auditor conducted on-site inspections on five (5) Elementary Schools in Koror and Babeldaob in order to verify the existence of the magnetic white boards, as well as to take pictures and document their conditions.

The pictures below show the magnetic white boards at selected schools, which were taken during our site visits. Please refer to the Appendix for more pictures.



Meyuns Elementary School

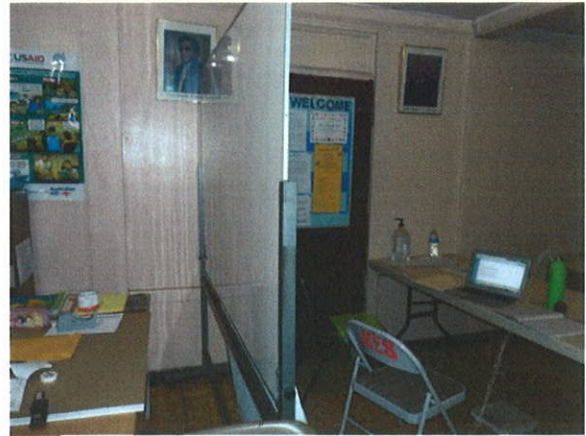


Meyuns Elementary School

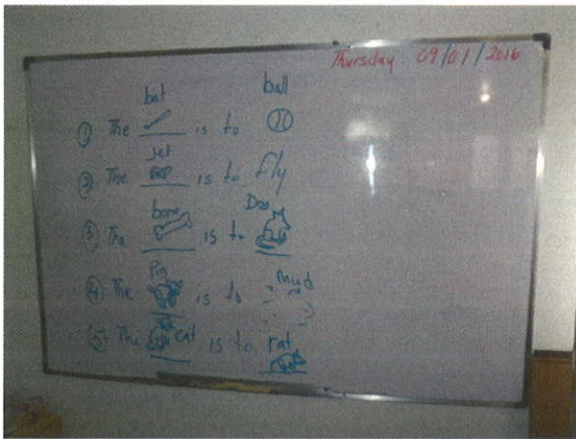
Office of the Public Auditor



G.B. Harris Elementary School
(White Board was being used for a Power Point Presentation)



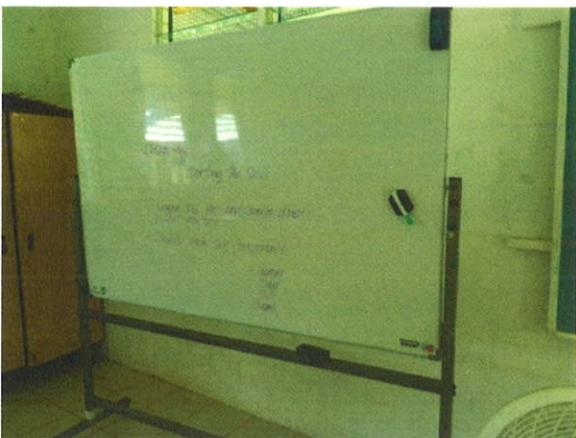
Koror Elementary School's Office
(White Board was to be used for a PTA meeting later, 9/1/16)



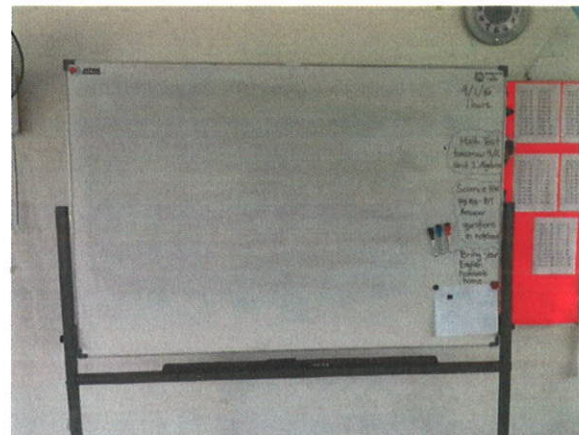
Koror Elementary School, Special Education Classroom



Koror Elementary School



Ngardmau Elementary School



Airai Elementary School

The magnetic white boards were all in relatively good condition and being utilized during our visits to the selected schools. According to school officials, the magnetic whiteboards have many advantages over traditional blackboards – such as magnetic properties, grid lines, mobility, and two-sides – which enhance teaching and learning. As a result, the Magnetic White Boards have continued to make a difference not only in the primary-level classrooms, which initially received the donations, but also throughout the entire schools.

We found that, Rotary Club, for the most part, complied with the terms and conditions of the Grant Contract and the GGP Procurement Guidelines. However, we found one issue where improvements could be made to further improve and strengthen the administration of the GGP grant as detailed below in the Findings & Recommendations Section.

Findings & Recommendations

Finding No. 1: Procurement Contract

The Grant Contract under item B states that the recipient agrees to provide the donor with documents relevant to the Project such as Procurement Contracts for products and/or services upon request by the donor. Further, pursuant to the GGP Procurement Guidelines, Section titled ‘Procurement Contract by the Recipient,’ it clearly states “After signing the Grant Contract (G/C), the recipient shall sign a *Procurement Contract* (P/C) with the supplying company, within the grant limit fixed on the (G/C)”.

The audit revealed that the Rotary Club of Palau did not enter into a Procurement Contract with the supplier (vendor) of the magnetic white boards and therefore was unable to provide a Procurement Contract for our review. In an interview with the then-President of Rotary Club, Mr. Richard Ziegler, the OPA was told that Rotary Club did not sign a Procurement Contract with the supplier. The Embassy of Japan also confirmed in an email to the OPA that there was no Procurement Contract in their records for the Project.

The cause of the above condition is the Rotary Club’s unfamiliarity with the terms and conditions of the Grant Contract and the GGP Procurement Guidelines. According to the President of the Rotary Club, he was not aware of the Grant and GGP guidelines pertaining to the requirement of entering into a Procurement Contract with the Vendor.

As a result, Rotary Club did not comply with the requirement of entering into a procurement contract with the supplier of the materials as set out in the Grant Contract & the GGP Procurement Guidelines.

Recommendation

The OPA recommends that in future GGP-funded projects, the grant administrators become familiar with the grant requirements in order to be more effective in the execution and administration of projects. In addition, the GGP Grants Coordinator for the Embassy of Japan in Palau should hold a briefing meeting with the grant recipients to explain the terms and conditions of the grant and GGP procurement guidelines before the commencement of each project.

Rotary Club's (RC) Response: *RC Palau concurs with the ROP Office of the Public Auditor's audit findings; and acknowledges the failure to enter into a procurement contract for the products that were purchased to facilitate the completion of the project. RC Palau additionally concurs that this was unintentional and a result of its unfamiliarity with the terms and conditions of the grant contract and GGP procurement guidelines.*

We note that this was the first time that RC Palau completed a project under this type of grant funding arrangement. While acknowledging its failure in completing one part of the contract; RC Palau remains honored to have received said grant funds. We are proud to have successfully completed the project which continues to greatly benefit the elementary schools and children of the Republic of Palau.

Conclusion

The Embassy of Japan in the Republic of Palau, through the Grant Assistance for Grass-Roots Human Security Projects (GGP), awarded a grant to Rotary Club of Palau in the sum of \$39,480. The grant was used to purchase and donate 47 magnetic white boards to primary-level schools (Elementary schools) in Palau.

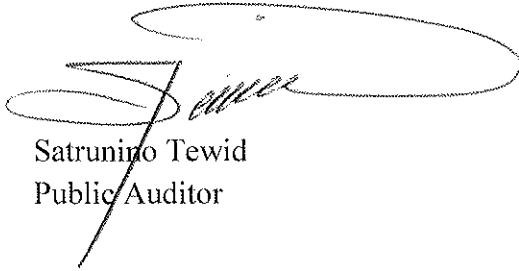
Our review of project documentation revealed only one (1) weakness/deficiency in the execution and administration of the Grant/Project: Failure to enter into a Procurement Contract with the vendor. This weakness may be attributed to the recipient's lack of familiarity with the terms and conditions of the Grant Contract and the GGP Procurement Guidelines.

Overall, the Project for the Provision of Educational Equipment to Elementary Schools in Palau was administered in accordance with the purpose of the GGP: to assist non-government organizations and local public authorities in responding to various developmental needs in a prompt and complete manner. From our audit work, the testimonies of school faculty & staff, and our own observations, it is evident that the Project had achieved its desired effect: to enhance the learning environment in elementary schools in Palau.

Office of the Public Auditor

Finally, The Office of the Public Auditor would like to thank Rotary Club of Palau and the Embassy of Japan in Palau for the professional courtesy and cooperation extended to us during the audit.

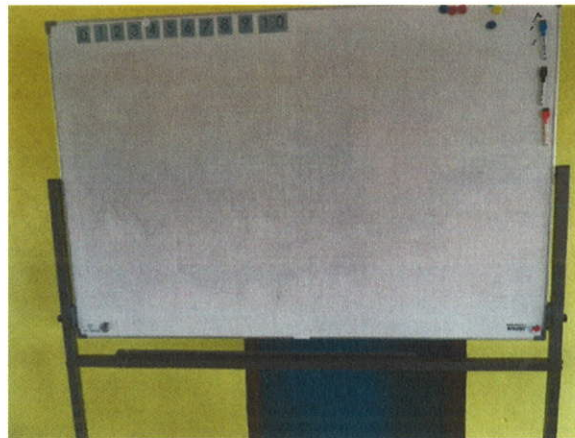
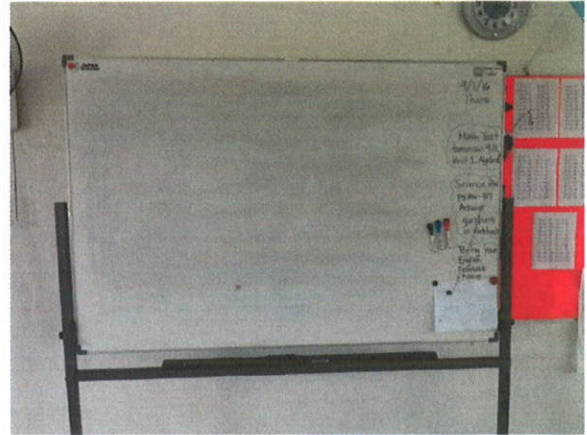
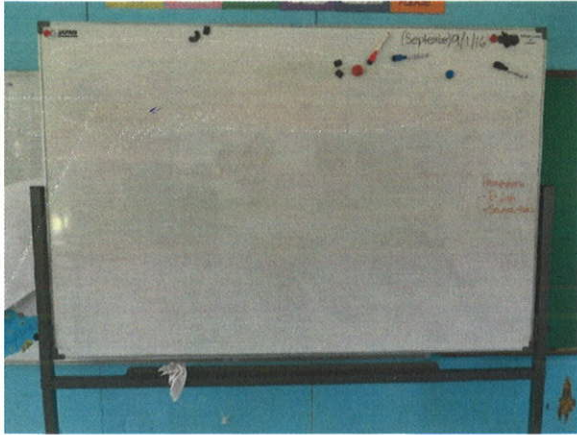
Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', is written over a large, light-colored oval stamp. The signature is written in a cursive style with a prominent vertical stroke on the left side.

Satrunino Tewid
Public Auditor

Appendix

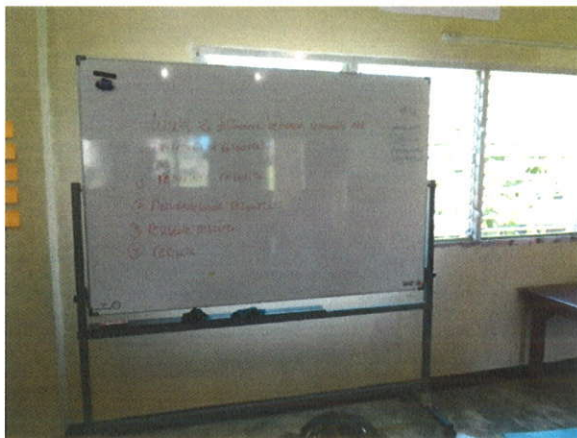
Airai Elementary School (Total Whiteboards: 3, pictures on current page:3/3)



G.B.Harris Elementary School (Total Whiteboards: 9, pictures on current page: 2/9)



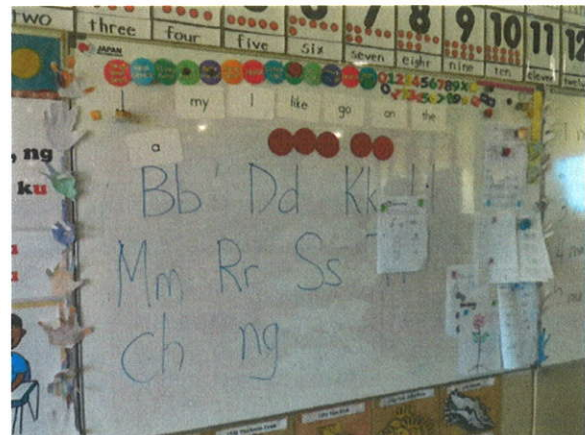
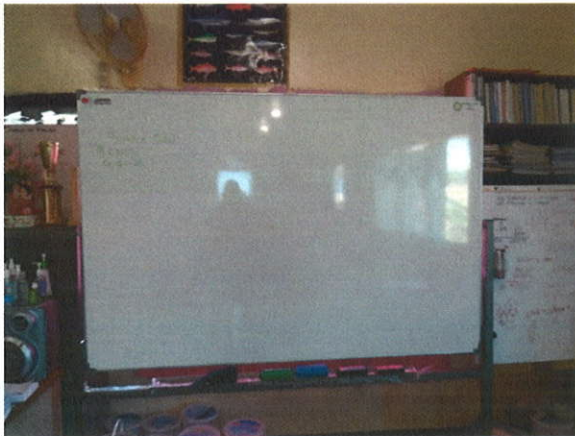
G.B. Harris Elementary School (Total Whiteboards: 9, pictures on current page:6/9)



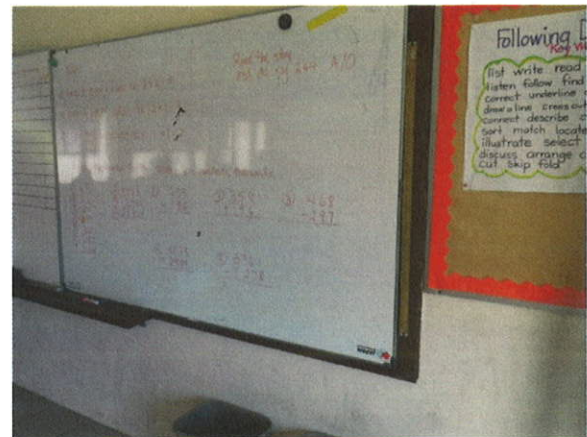
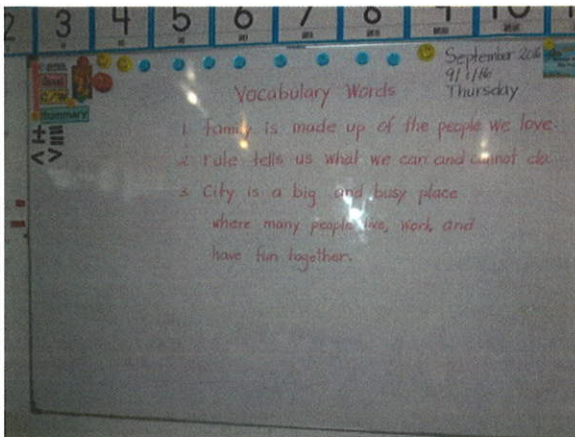
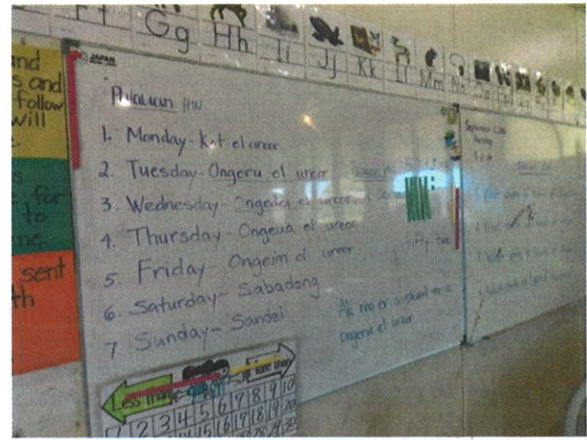
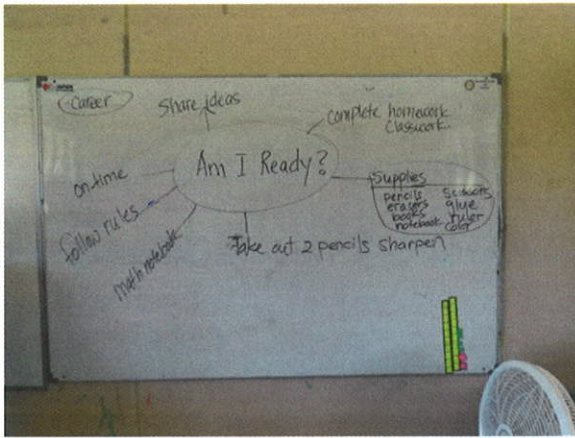
G.B. Harris Elementary School (Total Whiteboards: 9, pictures on current page:1/9)



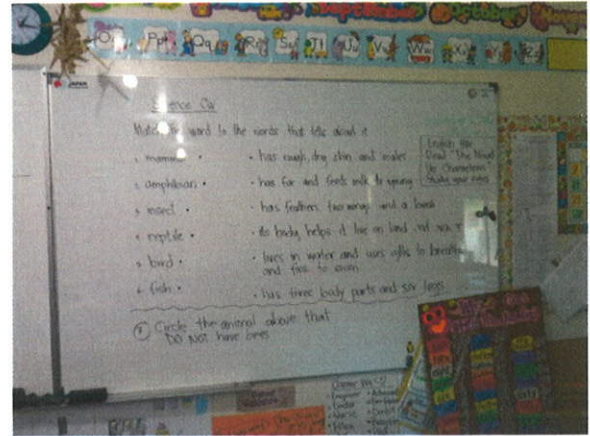
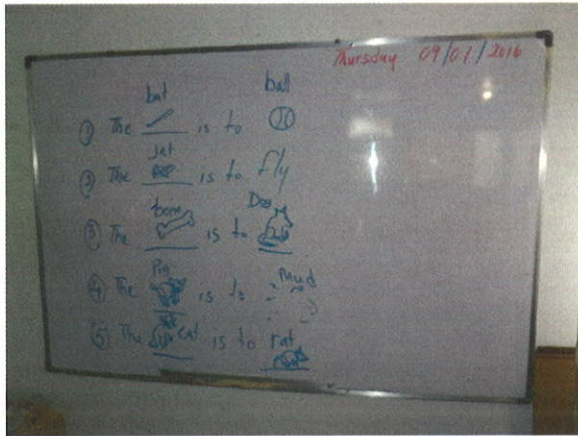
Koror Elementary School (Total Whiteboards: 12, pictures on current page: 4/12)



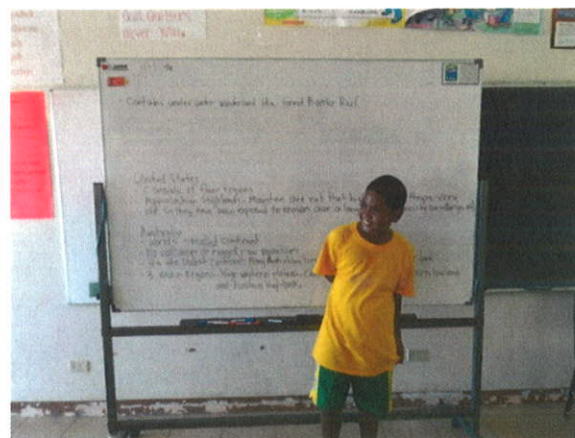
Koror Elementary School (Total Whiteboards: 12, pictures on current page: 6/12)



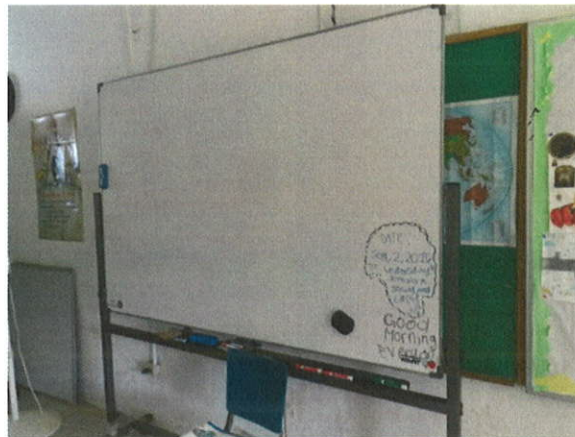
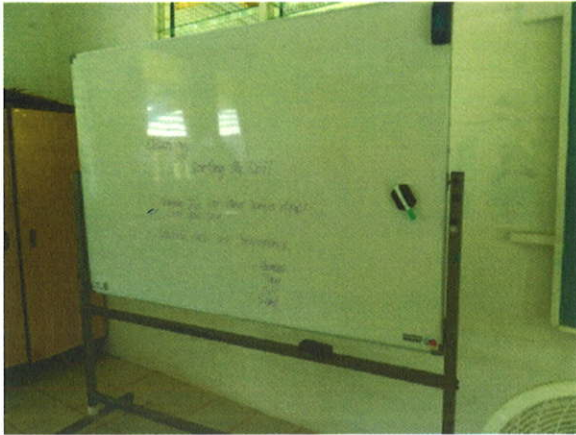
Koror Elementary School (Total Whiteboards: 12, pictures on current page: 2/12)



Meyuns Elementary School (Total Whiteboards: 3, pictures on current page: 3/3)



Ngardmau Elementary School (Total White Boards: 3, pictures on current page: 3/3)





**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO:**

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