



**OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU**

PERFORMANCE AUDIT REPORT

on

JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS
HUMAN SECURITY PROJECT FOR

**"THE PROJECT FOR RECONSTRUCTION OF THE AUDITORIUM
FOR MARIS STELLA SCHOOL"**



**Maris Stella School
CATHOLIC MISSION
Republic of Palau**

For the period from March 11, 2022, through August 03, 2023

Performed by the Office of the Public Auditor

Report Number: 2025-009

REPUBLIC OF PALAU



Office of the Public Auditor

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26-025au
November 5, 2025

Mr. Walker Umetaro
Acting Principal, Maris Stella School
Catholic Mission
Republic of Palau

Subject: **Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Reconstruction of the Auditorium for Maris Stella School"**

Dear Mr. Umetaro:

This report presents the results of our audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Reconstruction of the Auditorium for Maris Stella School".

We received your response to the Draft Audit Report, which is published in its entirety in the final report.

If you have any questions regarding the report or the subject matter discussed therein, we will be available at your request.

Sincerely,

Satrunino Tewid
Acting Public Auditor
Republic of Palau

**JAPAN’S GRANT ASSISTANCE FOR GRASSROOTS
HUMAN SECURITY PROJECT FOR
“THE PROJECT FOR RECONSTRUCTION OF THE
AUDITORIUM FOR MARIS STELLA SCHOOL”**

**Maris Stella School
Catholic Mission
Republic of Palau**

For the period from March 11, 2022, through August 03, 2023

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November 5, 2025

Mr. Walker Umetaro
Acting Principal, Maris Stella School
Catholic Mission
Republic of Palau

Dear Acting Principal Umetaro:

Following the closure of Deloitte and Touche, Maris Stella School (MSS) requested the Office of the Public Auditor to conduct an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP), namely "The Project for Reconstruction of the Auditorium for Maris Stella School" (the Project).

The Embassy of Japan in the Republic of Palau (the Embassy) awarded the sum of \$394,030.00 to MSS for the reconstruction of the auditorium and to cover the required post-project audit, according to a Grant Contract executed between the Embassy and MSS on March 11, 2022, as shown below:



*Signing of Contract on March 11, 2022
Source: Embassy of Japan Website*

The objective of the audit was to determine whether the MSS (1) administered the grant fund in compliance with the terms and conditions of the Grant Contract, (2) complied with the grant's GGP procurement guidelines, and (3) properly recorded the fixed asset (auditorium) into its accounting records.

The Office of the Public Auditor reviewed the administration of the grant funds, including procurement procedures, receipt and disbursements of funds, reporting mechanisms, and other related requirements according to the Grant Contract and GGP procurement guidelines.

Background

The Government of Japan offers a financial assistance scheme known as “the Grant Assistance for Grassroots Human Security Projects (GGP)” to help Non-Governmental Organizations (NGOs) and local government authorities develop projects designed to meet the diverse basic human needs of the people in developing countries.

Founded in 1957, MSS offers a high-quality Catholic education for kindergarten through 8th grade, focusing on the holistic development of students. Rooted in the teachings of Jesus Christ, the school fosters a supportive and caring community where Christian values are emphasized, and students feel safe, valued, and encouraged to grow.

On March 11, 2022, the Japan Ambassador to the Republic of Palau, Mr. Akira Karasawa, and the MSS Principal, Mr. Jose Ise, signed a \$394,030.00 grant contract to reconstruct the school's deteriorated auditorium and cover the required post-project audit. The facility, vital for both school and community activities, including assemblies, sports, and emergency shelter, had become unusable due to over 60 years of wear and tear. Recognizing the urgent need, the Embassy supported the project under its GGP, making it the third largest education-related project and the first for MSS.

Objective, Scope, and Methodology

The objective of the audit was to determine whether the MSS (1) administered the grant fund in compliance with the terms and conditions of the Grant Contract, (2) complied with the grant's GGP procurement guidelines, and (3) properly recorded the fixed asset (auditorium), as appropriate, into its accounting records.

The audit's scope covered the period from March 11, 2022, to August 3, 2023. As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of MSS or the grant or any component or accounts within those financial statements and, therefore, express no opinion on the financial statements.

The Government of Japan imposes and requires recipients to follow the GGP procurement policies in the procurement of goods and services, and the Embassy maintains control over the project bank account established for the purpose of the Project. Withdrawals from the account require prior approval of the Embassy. Consequently, audit procedures will be conducted specifically to ensure compliance with these requirements.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States*. Those 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 empowers the Office of the Public Auditor to specifically 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/or detection of fraud, waste, and abuse of public funds.

To accomplish our objective, we reviewed relevant project documents maintained at MSS and the Embassy. These documents included Grant Contract, Side Letter, GGP procurement policies and procedures, project invoices and related documents, and other relevant documents. In addition, we discussed the Project with the MSS Acting Principal and Finance Officer and conducted on-site visits to inspect the Project.

Grant Contract

In accepting the grant from the Embassy, MSS agreed to the following terms and conditions of the Grant Contract:

- A. To provide the Donor with an official receipt for the grant received;
- B. To provide the Donor with documents relevant to the Project, such as procurement contracts for products and/or services upon request by the Donor;
- C. To use the grant properly and exclusively for the purchase of such products and/or services necessary for the execution of the Project as enumerated in the Annex of the contract and not to use those products and/or services purchased with the grant for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor;
- D. To provide the following reports on the progress of the Project:
 1. One (1) interim report to be provided within six months after the contract date
 2. One (1) project completion report to be provided upon the completion of the Project. (The above reports should outline achieved results in light of the original goals and objectives as stated in the application proposal for the project. The reports should include a clear accounting report of the allocation and disbursement of the grant.)
 3. Any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions;
- E. To complete the Project within one year after the contract date;
- F. To 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;
- G. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;

- H. To 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 that the Donor will not be responsible for anything that happens during the execution of the Project;
- I. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
- J. To recognize that the Donor reserves the right to claim a refund of a portion or the whole of the grant if:
 - 1. A part or the whole of the grant remains unused when the execution of the Project is suspended or terminated;
 - 2. The Recipient breaches this contract; 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.

Side Letter

In addition to the Grant Contract, MSS also agreed to additional terms and conditions contained in a “Side Letter” of commitment with the Embassy, stipulating the following:

- 1. Maris Stella School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned Project.
- 2. Maris Stella School will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
- 3. Maris Stella School will shoulder any excess amount necessary to complete the Project, if the cost of the Project surpasses the Government of Japan’s grant.
- 4. Maris Stella School will be responsible for submitting an audit report on the grant issued by Deloitte & Touche to be provided upon the completion of the Project.
- 5. Maris Stella School will inform and consult the Embassy of Japan if any problems including loss and damage occur with the granted auditorium building within 2 years after the completion of the project as part of follow-up.
- 6. Maris Stella School will assign the staff who will be in charge of the auditorium for cleaning and maintenance.
- 7. Maris Stella School will be responsible for the regular inspection/maintenance and the fee of the auditorium and keep the maintenance log.

Project Expenditures

Maris Stella School received the grant funds, which were utilized for the reconstruction of the auditorium, completed by F.R. Construction. A remainder balance of the grant was identified after the completion of the reconstruction. The total cost of the project was \$388,530.00 upon completion, which is \$5,500.00 less than the grant amount of \$394,030.00. According to MSS, it was discussed with the Embassy regarding the final disposition of the residual funds. See **Table 1** for a breakdown of project funds expenditure through progress payments.

Table 1: Progress Payment

Grant Amount		\$394,030.00
Expenditures		
Initial Payment	\$64,800.00	
Second Payment	\$59,850.00	
Third Payment	\$70,200.00	
Payment Request #4	\$49,500.00	
Payment Request #5	\$51,300.00	
Payment Request #6	\$40,527.00	
Payment Request #7	\$13,500.00	
Payment Request #8	\$38,853.00	\$388,530.00
	Balance	\$5,500 .00

Handover Ceremony

On May 18, 2023, the reconstruction of the auditorium was completed and turned over to MSS in a formal Handover Ceremony, as shown below:



*Handover ceremony on May 18, 2023
Source: Embassy of Japan Website*

Findings and Recommendations

Based on our audit, the Office of the Public Auditor found that MSS, for the most part, administered the GGP grant for the Project in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. However, we found two issues where improvements could be made to further improve and strengthen the administration of the GGP grant, as detailed below in the Findings & Recommendations Section.

Finding No. 1 – Lack of Consultation Prior to Project Modification

Pursuant to the Grant Contract, Section F states in part: To 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 and (2) to change the contents of the Project.

The audit revealed that the MSS did not consult with and receive instructions from the Embassy (Donor) prior to making and executing the changes to the project plan. The Embassy reiterated the conditions of the Grant Contract in its communication, dated May 19, 2023, stating, “It is regrettable that the Embassy was not informed of the change prior to its modification.” Although the Embassy approved the changes after the fact, the approval was qualified due to the “after the fact” notification.

It appears the MSS was not familiar with the terms and conditions of the Grant Contract.

As a result, MSS did not comply with the terms and conditions of the Grant Contract with respect to consulting and receiving instructions from the Donor before making changes to the project’s original plan.

Recommendation: We recommend that, in future GGP-funded projects, the MSS adhere to the terms and conditions of the Grant Contract by consulting with and receiving instructions from the Embassy prior to making changes to the project plans. In addition, we recommend that officials charged with the administration of GGP-funded projects have working knowledge of the terms and conditions of the Grant Contract to facilitate an efficient and effective administration of the project.

Auditee’s Response: We acknowledge that prior communication and approval from the Donor regarding project modifications were not sufficiently documented. In accordance with your recommendation, Maris Stella School commits to adhering strictly to the terms and conditions of the Grant Contract in all future projects. This includes consulting with and obtaining formal approval from our donors before implementing any project changes.

Finding No. 2 - Fixed Asset Record

Sound financial management practices require MSS to maintain a fixed asset policy and record all fixed assets in its accounting records. This ensures accurate financial reporting, accountability, and safeguarding of assets.

The MSS has not established a fixed asset policy and does not record fixed assets in its accounting records. Thus, there is no recording of the auditorium reconstruction costs in its accounting records.

This occurred because management has not prioritized the development of a fixed asset policy or implemented procedures to ensure the proper recording and monitoring of fixed assets.

As a result, the school’s financial records are incomplete and may misstate the value of its assets. Furthermore, the absence of records increases the risk of asset loss, theft, or misuse, as there is no reliable system to track or safeguard assets.

Recommendation: We recommend that MSS develop and adopt a fixed asset policy that establishes clear guidelines for asset recognition, valuation, depreciation, and disposal. Management should also maintain a fixed asset register and ensure all acquisitions, transfers, and

disposals are recorded accurately and in a timely manner. Regular physical inventory of fixed assets should be conducted to verify their existence and condition.


Auditee's Response: We acknowledge this finding, which aligns with observations from our WASC accreditation team. The School's Board of Members has since designated an individual to establish and maintain a comprehensive system for recording all school assets in our financial books. Moving forward, we will ensure that all projects comply fully with contract terms and that all assets are properly recorded, as recommended.

Conclusion

Through a \$394,030.00 grant from the Government of Japan's GGP, the MSS completed the Project, enhancing the auditorium's capacity and safety to better serve both the school and the community through assemblies, sports, and outreach events.

The Office of the Public Auditor would like to thank the staff and management of the MSS and the Embassy for their professional courtesy and cooperation during this audit.

Sincerely,



Satrunino Tewid
Acting Public Auditor
Republic of Palau



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

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