

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

PERFORMANCE AUDIT REPORT

ON

JAPAN GRANT FOR SCHOOL FENCE

**MEYUNS ELEMENTARY SCHOOL
MINISTRY OF EDUCATION
REPUBLIC OF PALAU**

PERIOD COVERED

AUGUST 2005 TO AUGUST 2006

Performed by the Office of the Public Auditor

JPMES-05-06P-11*opa06



REPUBLIC of PALAU

Office of the Public Auditor

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March 23, 2010
Serial#: opa10-059au

Mr. Albino Kenty
Principal
Meyuns Elementary School
Koror, Republic of Palau

Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Projects for the Meyuns Elementary School Fence.

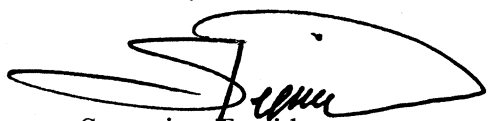
Dear Principal Kenty:

This report presents the results of our audit of Japan's Grant for Meyuns Elementary School Fence for the period of August 2005 to August 2006.

The Office of the Public Auditor (OPA) received your response to the Draft Audit Report. The response is published 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
Acting Public Auditor
Republic of Palau

**Japan Grant for School Fence
Meyuns Elementary School
Republic of Palau**

August 2005 to August 2006

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March 23, 2010

Albino Kenty
Principal, Meyuns Elementary School
Republic of Palau

Dear Principal Kenty:

At the request of the Embassy of Japan in the Republic of Palau, the Office of the Public Auditor initiated audits of several of Japan's Grant Assistance for Grassroots Human Security Projects. One of these projects was awarded to the Meyuns Elementary School, Ministry of Education, for the Meyuns Elementary School Fence. The Embassy of Japan awarded U.S. \$65,450 to Meyuns Elementary School as formalized in a Grant Contract entered into between the two parties on August 9, 2005.

The objective of the audit is to determine whether Meyuns Elementary School administered the grant funds in compliance with the terms and conditions of the grant contract.

The Office of the Public Auditor reviewed the Project for the Meyuns Elementary School Fence and the administration of grant funds therewith and presents its findings to the extent of the School's compliance with the terms and conditions of the grant contract.

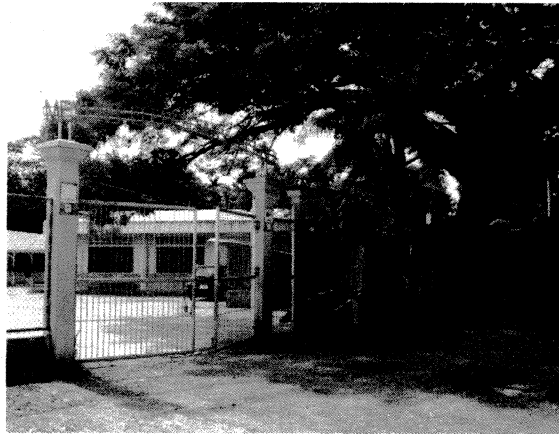
Background

In connection with the Meyuns Elementary School's application for Japan's Grass Assistance for Grass-roots Human Security project grant for the financing of Meyuns Elementary School fence, three (3) proposals were requested and received from three (3) local construction companies. The project was awarded to FR Construction Company by the Embassy of Japan in the Republic of Palau for \$65,450.

Project payments were divided into five phases based on the progress of works and application and certification of payment by the Design and Engineering Office, Bureau of Public Works, as follows:

Check date	Check number	Receipt date	Receipt number	Inspection date	Amount
Cash	None	10/7/05	164	10/6/05	\$ 10,989.00
10/19/05	3704219	10/19/05	165	10/18/05	16,803.00
Cash	None	11/11/05	169	11/11/05	12,843.00
Cash	None	12/20/05	172	12/19/05	18,270.00
Cash	None	2/10/06	173	2/10/06	6,545.00
				Total	\$ 65,450.00

Although inspections were not required by the donor country, when each phase of the project is complete, the National Government's Design and Engineering Office (DEO, CIP Office), Bureau of Public Works, inspector will inspect the work and certify the particular phase of the project completed in connection with application for payment. Prior to disbursement of the last payment, the DEO conducted a final inspection of the project, certified the completion of the project, and issued a Letter of Acceptance with a one (1) year maintenance guarantee.



Grant Contract

In making available funding for the project, the Grant Contract stipulates that the recipient (Meyuns Elementary School) complies with the terms and conditions of the grant, some of which are set forth below:

- A. To provide the donor with an official receipt for the grant received;
- B. To provide the donor with the 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 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. To provide the donor with the following reports on the progress of the Project: (1) one (1) interim report to be provided within six months after the contract date and (2) one (1) final report (including and audit report on the grant issued by an independent accountant/accounting body) to be provided upon the completion of the Project.
- E. To complete the Project within one year;
- 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
 - 5) To return the grant to the donor

Objective, Scope and Methodology

The objective of the audit is to determine whether Meyuns Elementary School administered the grant funds in compliance with the terms and conditions of the grant contract. The scope of the audit will cover the period beginning August 9, 2005 through August 8, 2006 to coincide with the term of the Grant Contract. The audit, however, will cover other periods as necessary if the project and associated funding is not completed and expended respectively within that one (1) year period. As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the School or any component or accounts within those financial statements and therefore express no opinion on the financial statements.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

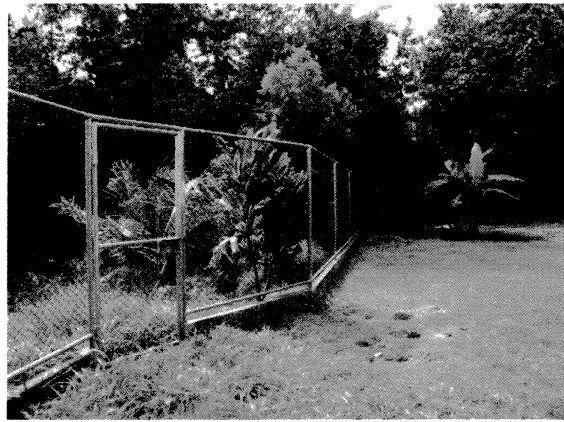
To accomplish our objective we reviewed project documents maintained at Meyuns Elementary School (as well as Ministry of Education) and the Embassy of Japan in the Republic of Palau. We also met and discussed the project with Meyuns Elementary School Principal, officials at the Ministry of Education, and the Coordinator for Government of Japan's Grant Assistance for Grass-roots Human Security Projects (GGP) at the Embassy of Japan. We also conducted on-site visit of the project to inspect the fence.

Finding No. 1 Audit Report

The Grant Contract between Meyuns Elementary School and the Embassy of Japan in the Republic of Palau states in part under Section D: the recipient is to provide one (1) final report (*including and audit report on the grant issued by an independent accountant/accounting body*) upon the completion of the Project.

The audit revealed that although a final report was submitted upon completion of the project, the final report was not accompanied by an audit report as required by the terms and conditions of the Grant Contract.

According to the Principal, the School did not have the money to hire a private auditor to audit the grant (project). He further added that the school did not want to use the grant to pay for an independent auditor as it would be outside the scope of the grant.



As a result, the principal of Meyuns Elementary School did not comply with Section D of the Grant Contract terms and conditions.

Recommendation

We commend the Principal of Meyuns Elementary School for the prudent coordination, methodical and timely execution of the project. We recommend, however, that in future donor-funded projects the Principal consult with the donor if the school is unable to fulfill particular terms and conditions of the grant. By doing so, the school may have been able to obtain a waiver of this particular requirement (audit) or otherwise resolve the issue with the donor through other mutually-agreed mechanism. Based on this process, we recommend Principal consult with the Embassy of Japan to discuss the issue of non-compliance (audit) and further course of action required to rectify the matter in order not to jeopardize future potential financial assistance.

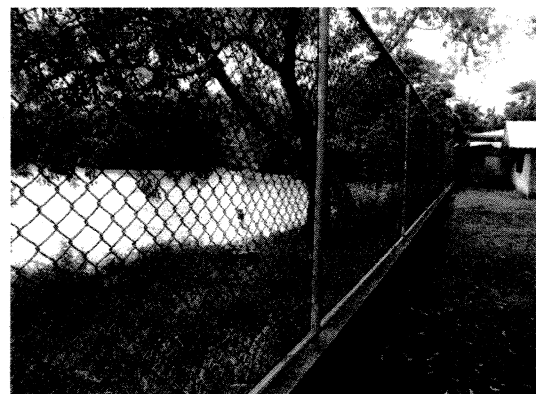
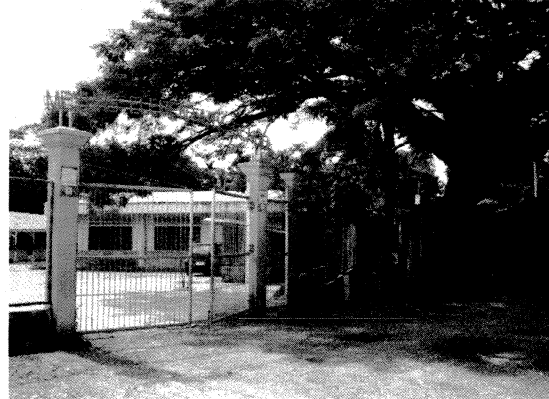
MES Principal's Response: *I concur with the finding as revealed in the draft audit report that a Certified Audit Report by "independent" accounting office on the GGP fence project at Meyuns Elementary School was not submitted with the project's final report as stipulated in the GGP Grant Contract, which I am party of. I acknowledge that, other than the draft audit report that your office has diligently put together, no audit by an independent CPA has been conducted – due to lack of funding. However, discussions with GGP coordinators at the Japan Embassy in Palau was initiated and has been on-going to resolve this matter.*

Office of the Public Auditor

I thank you and your office for conducting a professional audit of the Meyuns Elementary School's GGP fence project. I have taken your recommendations to heart and will push with keen effort to ensure that our reputation is not marred; thus, enhancing our prospects and eligibility for future funding assistance opportunities.

OPA Comments: The grant required that an audit report on the grant be issued by an independent accountant/accounting body, not necessarily a Certified Public Accountant (CPA).

MEYUNS ELEMENTARY SCHOOL FENCE



MEYUNS ELEMENTARY SCHOOL FENCE

