



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

PERFORMANCE AUDIT REPORT

ON

Japan Grant Assistance for Grassroots Human Security Projects

**FOR THE
PROJECT FOR THE CONSTRUCTION OF TRAINING
CENTER FOR EBIL SOCIETY**



**EBIL SOCIETY
REPUBLIC OF PALAU**

Period from February 16, 2016 to February 15, 2017

Performed by the Office of the Public Auditor

JPEBIL-17P*01*00

REPUBLIC OF PALAU



Office of the Public Auditor

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April 26, 2017
Serial#: opa17-099au

Ms. Ann K. Singeo
Executive Director
Ebiil Society
Koror, Republic of Palau

Subject: Final Audit Report on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for The Project for Construction of Training Center for Ebiil Society for the period of February 16, 2016 to February 15, 2017

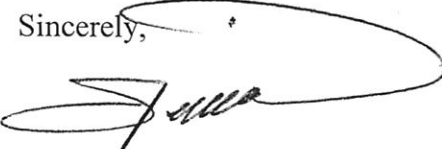
Dear Executive Director Singeo:

This report presents the result of our audit of Japan's Grant Assistance for Grass-Roots Human Security Project for The Project for the Construction of Training Center for Ebiil Society.

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,



Satrunimo Tewid
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots Human Security
Project for The Project for Construction of Training
Center for Ebiil Society**

Ebiil Society
Republic of Palau

For the Period February 16, 2016 to February 15, 2017

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Subject: Final Audit Report on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for The Project for Construction of Training Center for Ebiil Society for the period February 16, 2016 to February 15, 2017

Dear Executive Director Singeo:

At the request of the Office of the President of the Republic of Palau, the Office of the Public Auditor initiated an audit of the Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) to Ebiil Society, Inc. for a project for the construction of Ebiil Society's Training Center. The total GGP award to Ebiil Society was in amount of U.S. \$90,000.00. The award to Ebiil Society was formalized in a Grant Contract entered into between the Ebiil Society and the Embassy of Japan in the Republic of Palau on February 16, 2016.

The objective of the audit was to determine whether Ebiil Society administered the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) Ebiil Society had established internal controls to ensure the proper safeguarding of its properties and project records were properly maintained.

The Office of the Public Auditor reviewed the project for the construction of Ebiil Society's Training Center, located at Ollei, Ngarchelong, and presents its findings to the extent of the Society's compliance with the terms and conditions of the grant and the GGP procurement guidelines.

Background

Ebiil Society, Inc. is a registered nonprofit organization legally established and chartered in 2005. The organization's namesake is derived from the State's only conservation site called Ebiil Channel. The Society's initial concept is to develop training and education programs combining current science practices and traditional knowledge and practices to promote sustainable use and management of natural resources. The Society's main goal is to educate small communities on how to properly protect and manage its environment and resources. The Society also provides community-based education programs of experimental learning for adults and resource users, State managers and youth. For the past 12 years, Ebiil Society had been conducting and promoting these types of activities through summer camps and later had developed them into year-round programs for the youth in schools, field trips, outdoor classrooms and research programs. These activities had expanded and extended to other states in the Republic and some international universities.

Ebiil Society's Mission

Ebiil Society's mission is to preserve and conserve natural and cultural resources of Ngarchelong State that will in turn provide for sustainable livelihood of the people of Ngarchelong and the Republic of Palau.

The Ebiil Society is governed by a Board Directors as follows:



Baudista Sato - Chairman
Ulang Skang - Vice Chairperson
Joyce Beouch -
Secretary/Treasurer
Nobert Villanueva - Member
Tina Rehuher - Member
Jollie Liston - Member
Kyoko April - Member

Governor Salvador, Delegate Madranghar, Board Members,
Executive Director Singeo and Minister Temengil-Chilton

Objective, Scope and Methodology

The objective of the audit was to determine whether Ebiil Society administered the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) Ebiil Society had established internal controls to ensure the proper safeguarding of its properties and project records were properly maintained.

The scope of the audit covered the period beginning February 16, 2016 through February 15, 2017, coinciding with the term of the Grant Contract.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the Ebiil Society or any other component or accounts within those financial statements and therefore express no opinion on the financial statements. The audit did not cover compliance with national treasury laws of the Republic of Palau as the grant funds were deposited into a bank account separate from and independent of National Treasury, and which funds were administered and controlled by the Donor. Similarly, the audit did not cover the applicability of the Republic of Palau Procurement Law and Regulations as the Donor imposed the use of the 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*. 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.



Signing Ceremony: Executive Director Singeo and H.E. Kazuhiro Tajiri, Japan Ambassador to the Republic of Palau

Office of the Public Auditor

To accomplish our audit objective we reviewed project documents maintained at the Ebiil Society Office and the Embassy of Japan in the Republic of Palau. We also met with the Executive Director to discuss the grant, its purpose and the status of the project for the construction of the Ebiil Society's Training Center. Finally, the OPA was invited by the Executive Director to witness the ribbon cutting ceremony for the completion of the center and its official opening for the community of Ngarchelong State and the Republic of Palau on January 24, 2017.



Ribbon cutting ceremony

Grant Contract Requirements Agreed Upon By the Recipient

In accepting the grant to construct Ebiil Society's Training Center from the Donor, the recipient agrees to the following:

- 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 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 this 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 Donor with the following reports on the progress of the project:
 - (1) One (1) project completion report (including and audit report on the grant issued by and independent accountant/accounting body) to be provided upon the completion of the project (The above report should outline achieved results in the light of the original goals and objectives as stated in the application proposal for the project. The report should include a clear accounting report of the allocation and disbursement of the grant.)
 - (2) Any other reports on the project to be provided upon request of the Donor, in accordance with the Donor's instruction;
- E. to complete the project within one year after the contract date;
- F. to consult with and receive instruction 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 content of the project
 - (3) To suspend and/or terminate execution of the project

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- (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 project;
- J. to recognize that the Donor reserves the right to claim and 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.
- L. In addition to the Grant Contract Agreement, there was also a Side Letter of commitment by the Ebiil Society to do the following:
 - (1) Ebiil Society will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
 - (2) Ebiil Society will not withdraw any amount from the said account without written prior consent from the Embassy of Japan.
 - (3) Ebiil Society will shoulder any excess amount necessary to complete the project, if the cost of the project exceeds the Government of Japan's grant.
 - (4) Ebiil Society will be responsible for the daily inspection and the fee for any maintenance.
 - (5) Ebiil Society will be responsible for submitting an audit report on the grant upon completion of the project.

Grant Project Expenditures

Pursuant to the Contractor Agreement entered into between the Ebiil Society and KTK Construction Company, dated May 18, 2016, payments for services followed the progress of work as follows:

Payment No.	Check Date	Check Amount	Receipt Date	Receipt No.	Amount of Grant Awarded	Remaining Balance
					\$ 90,000.00	
Phase 1	05/31/2016	\$ 44,000.00	05/19/2016	447374		\$ 46,000.00
Phase 2	08/17/2016	22,000.00	08/12/2016	046056		24,000.00
Phase 3	01/16/2017	13,200.00	01/16/2017	046057		10,800.00
Completion	01/18/2017	\$ 8,800.00	01/18/2017	046059		\$ 2,000.00
Total		\$ 88,000.00				

Findings

Based on our audit, the Office of the Public Auditor found that Ebiil Society, Inc. administered the GGP grant in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. Further, the Ebiil Society maintained proper controls over its assets and records concerning the construction of the training center. One particular issue, however, came to our attention relating to the use of residual funds. The total cost of the project came to \$88,000, as shown above, \$2,000 less than the amount of the Grant, \$90,000. According to the Ebiil Society's Executive Director, the Society is in discussion with the Embassy of Japan for approval to use the residual funds to purchase some needed equipment for the center. As of April 26, 2017, the OPA has not received information from the Ebiil Society or the Embassy of Japan regarding the final disposition of the residual funds, which final outcome will depend on ongoing discussions. Therefore, there are no findings in this report.

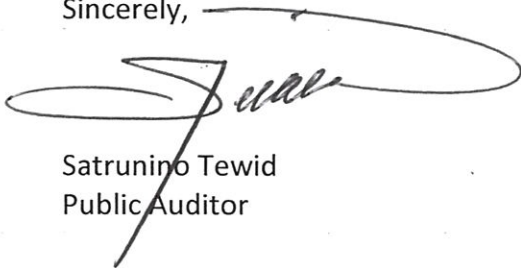
Ebiil Society's Response: *Good day to you and your staff. I have reviewed the draft audit report and it really looks great. Please finalize the report and thank you very much for your support on this matter.*

Conclusion

In conclusion, the Ebiil Society complied with the terms and conditions of the Grant Contract and GGP procurement guidelines in the administration of Japan's Grant Assistance for Grass-Roots Human Security Project for the Project for the construction of the Ebiil Society's training center. The training center will facilitate and enhance future educational, training and research programs for youths and citizens of Ngarchelong State and the Republic of Palau as well as environmental enthusiasts and scientists in the use and conservation of natural resources to sustain the livelihood of the people of Ngarchelong and the Republic of Palau today and the years ahead.

Finally, the Office of the Public Auditor would like to thank the staff and management of Ebiil Society, Inc. for the professional courtesy and cooperation extended to us during the audit.

Sincerely,



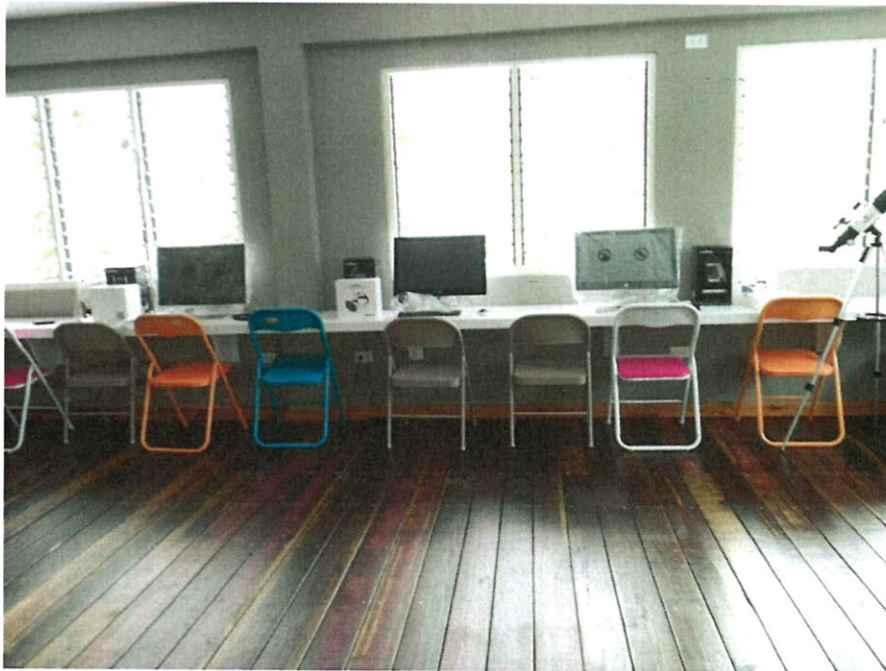
Satrunino Tewid
Public Auditor

APPENDIX

The pictures below show the Ebil Society's Training Center:



View inside the 2nd floor of the Training Center



View inside the 2nd floor of the Training Center

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View inside the 2nd floor of the Training Center



View inside the 2nd floor of the Training Center

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View inside the 2nd floor of the Training Center



View inside the 2nd floor of the Training Center



Stairs leading to the 2nd floor of the Training Center



Inside view of the first floor of the Training Center



View of kitchen on 1st floor of the Training Center



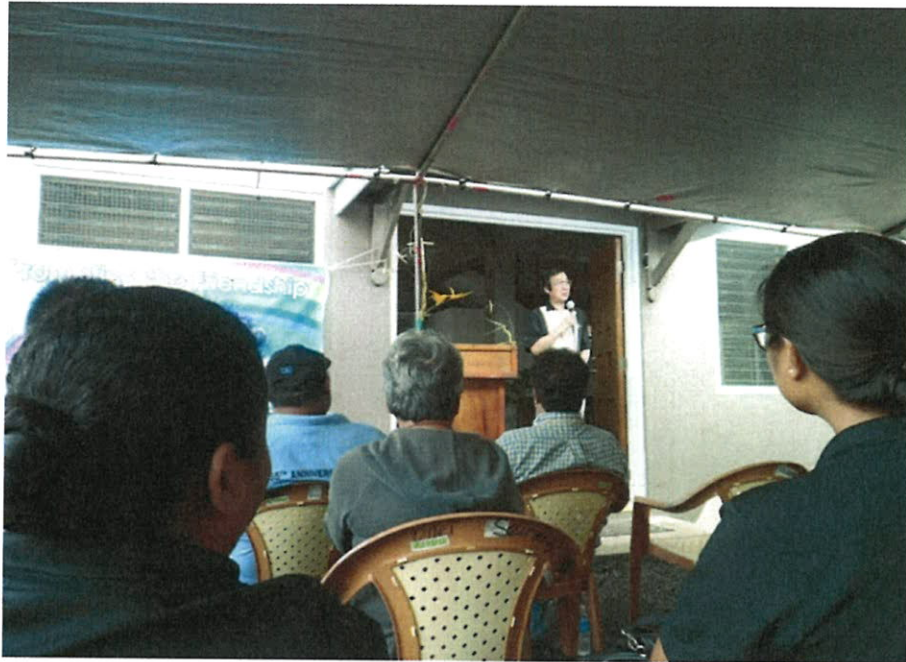
View of the front of the Training Center



Back view of the Ebiil Training Center



Picture of Banner Promoting the Friendship between Palau and Japan



H.E. Ambassador Kazuhiro Tajiri giving his special remarks



H.E. Tommy E. Remengesau Jr. giving his special remarks



Executive Director's presentation on Ebiil Society's History and Mission



Ribbon Cutting of the Training Center



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

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7:30 a.m. - 4:30 p.m.

(Closed on Legal Holidays)