



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

**PERFORMANCE AUDIT REPORT**



**ON**

**Japan's Grant Assistance for Grassroots Human Security Project**

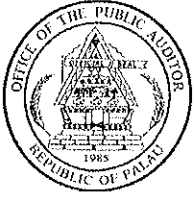
**FOR THE  
PROCUREMENT OF ANESTHESIA MACHINES**



**Period from March 06, 2013 thru March 05, 2014**

*Performed by the Office of the Public Auditor*

**JPMOH-13-14P\*02\*00**



REPUBLIC OF PALAU

Office of the Public Auditor

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October 21, 2015  
*Serial#: opa16-005au*

Honorable Gregorio Ngirmang  
Minister  
Ministry of Health  
Koror, Republic of Palau

**Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for the Belau National Hospital/Ministry of Health.**

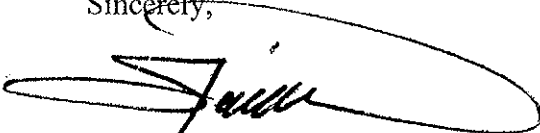
Dear Minister Ngirmang:

This report presents the result of our audit of Japan's Grant Assistance to the Belau National Hospital for the Procurement of Anesthesia Machines.

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,



Saturnino Tewid  
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots Human  
Security Project for the Procurement of  
Anesthesia Machines**

**Ministry of Health  
Republic of Palau**

**For the Period March 06, 2013 to March 05, 2014**

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Office of the Public Auditor

EXECUTIVE SUMMARY

October 21, 2015

Honorable Gregorio Ngirmang  
Minister  
Ministry of Health  
Koror, Republic of Palau

**SUBJECT:** Final Audit Report on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the Procurement of Anesthesia Machines for the Belau National Hospital for the Period March 06, 2013 to March 05, 2014

Dear Minister Ngirmang:

This report presents the result of our audit of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the Procurement of Anesthesia Machines for the Belau National Hospital (Ministry of Health). Specifically, the audit covered the project contract period from March 06, 2013 to March 05, 2014, a project arising from a grant contract executed between the Japan Embassy in the Republic of Palau (Donor) and the Ministry of Health (Recipient).

On Wednesday, March 06, 2013, the Ministry of Health (MOH), on behalf of the Republic of Palau, through its Director of Bureau of Hospital and Clinical Services, and the Japan Embassy in the Republic of Palau entered into a grant contract to procure two (2) anesthesia machines for the Belau National Hospital. This report presents some of the administrative issues the MOH encountered in administering the grant and the procurement of the anesthesia machines.

The Government of Japan's Grant Assistance for Grass-Roots Human Security Projects (GGP) had earlier provided a GGP-funded project for the procurement of Laboratory Equipment and a Neonatal Unit for the Belau National Hospital. An audit was conducted of the grant and an audit report was issued in December 2014.

## WHY OPA CONDUCTED THE AUDIT

At the request of the President of the Republic of Palau, the Office of the Public Auditor initiated audits of three of Japan's Grant Assistance for Grassroots Human Security Projects (GGP) awarded to the Ministry of Health. The purpose of the grants was to fund projects for the procurement of Laboratory Equipment, a Neonatal Unit, and Anesthesia Machines. The audit was requested to comply with the terms and conditions of the grants and to prevent potential delays in the approval of future requests for financial assistance from Japan. Shown below are the three GGP grants projects awarded by the Embassy of Japan to the Belau National Hospital:

Project Name	Project Amount	Project Scope
Anesthesia Machines Procurement	\$108,104.00	March 06, 2013 thru March 05, 2014
Neonatal Unit	\$101,406.00	October 14, 2013 thru October 13, 2014
Laboratory Equipment	\$ 86,100.00	December 22, 2010 thru December 21, 2011

This audit only covered the grant contract for the procurement of Anesthesia Machines as audits for the procurement of a Neonatal Unit and Laboratory Equipment have been completed and the reports issued.

## AUDIT OBJECTIVE AND METHODOLOGY

The objective of the audit was to determine whether the Belau National Hospital (BNH) administered the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) whether the anesthesia machines were properly recorded into the Republic of Palau's (ROP) accounting records and tagged as ROP property.

The Office of the Public Auditor reviewed the administration of the grant funds in respect to the procurement procedures, receipt and disbursements of funds, reporting mechanisms, and other related requirements pursuant to the Grant Contract and the GGP guidelines. The findings enumerated below disclose the weaknesses/deficiencies found to the extent of non-compliance with the terms and conditions of the Grant Contract, GGP guidelines, and accounting of the equipment after the completion of the project. We believe these weaknesses/deficiencies should be brought to the attention of management for appropriate corrective action. We also propose recommendations which, if implemented, we believe, will correct these weaknesses/deficiencies.

## WHAT OPA FOUND

- The BNH's recordkeeping system was such that some of the accounting records were either missing or were not readily available for our examination and therefore is not keeping in harmony with the requirements of the Grant Contract.

- The Belau National Hospital (BNH) did not provide to the Donor a signed procurement contract between BNH and the supplying company as required by the GGP procurement guidelines and Grant Contract.
- The BNH did not complete the project within one year of the date of the grant contract; thus, did not submit a project completion report, and did not consult and receive approval from the Donor to extend the project completion date as required by the grant contract.
- Grant Contract is silent on project audit requirements; however, GGP guidelines provide requirement for audit of the project with exception; however, the exception was inapplicable in BNH's case and therefore the audit requirement was inadvertently overlooked.
- The BNH received approval from the Japanese Embassy to use the remainder of the grant, \$2,133.32, to procure auxiliary supplies for the Anesthesia machines; however, the BNH without terms of payment with the vendor proceeded to issue an advance payment for the full amount (\$2,133.32) for the supplies based on a quotation from the supplier, instead of an actual invoice, and prior to receiving the supplies.
- Project's equipment and related transactions were not properly recorded in the accounting records of the Republic of Palau National Government, tagged and monitored, to reflect ownership of the assets and to ensure the accuracy of the financial statements of the National Government.
- Japan's Grant Assistance for Grass-Roots Human Security Projects (GGP) for the procurement of anesthesia machines was granted to the Belau National Hospital to help improve medical treatment in Palau and the lives of the people.

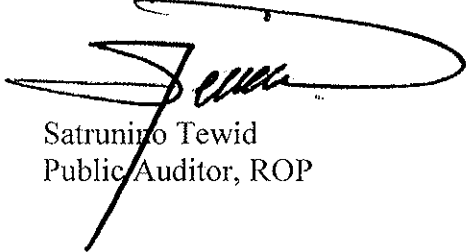
#### **WHAT OPA RECOMMENDS**

- The Minister of Health direct the grant administrators to take responsibility for ensuring that GGP-funded projects' accounting records and related documents are properly maintained and filed in an orderly fashion to comply with the Grant Contract and GGP project guidelines as well as support audit requirements.
- We recommend that in future Japan GGP-funded projects the Belau National Hospital's project administrators become familiar with the terms and conditions of the Grant Contract and GGP Guidelines to support and sustain a more effective and efficient execution and administration of projects, i.e., execution of a Procurement Contract between the BNH and the supplier of Anesthesia Machines.
- The BNH provide a project completion report to the Embassy of Japan in the Republic of Palau on the project for the Procurement of Anesthesia Machines and consult and obtain approval from the Embassy of Japan for the extension of the project completion date.

- The Embassy of Japan in the Republic of Palau consider including as a requirement project audit under the terms and conditions of the Grant Contract so as to avoid confusion regarding audit requirements of GGP-funded projects.
- The BNH should only disburse grant funds based on terms of payment mutually agreed to with the supplier and on an actual invoice.
- The BNH transmit records of all transactions conducted under the Anesthesia Machines Procurement project to the Bureau of National Treasury for proper recording into the National Government's accounting system, tagging and monitoring of equipment as ROP property.
- We commend the Belau National Hospital and the Embassy of Japan in the Republic of Palau for the partnership through Japan's Grant Assistance for Grass-Roots Human Security Projects (GGP) to procure critically needed anesthesia machines for the Belau National Hospital, which have greatly improved medical treatment in Palau and the lives of the people.

Finally, the Office of the Public Auditor would like to extend our appreciation to the management and staff of the Belau National Hospital for their cooperation and professional courtesy extended to us during the audit.

Sincerely,



Satruniro Tewid  
Public Auditor, ROP

## BACKGROUND

To alleviate the many challenges facing 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 projects is to assist non-government organizations and local public authorities in responding to various developments needs in a prompt and complete manner.

Consistent with the GGP's guidelines, the Belau National Hospital (BNH), Ministry of Health (MOH), applied for and was approved financial assistance via the GGP for the procurement of Anesthesia Machines. In accordance with the grant requirements, the BNH entered into a Grant Contract with the Embassy of Japan in the Republic of Palau for the Project for the procurement of Anesthesia Machines. The Project was to be completed within one year after the contract date.

On the 6<sup>th</sup> March 2013, the Belau National Hospital through its Director of Bureau of Hospital and Clinical Services, Dr. Selaima Malani Lalabalavu, and the Japan Ambassador to the Republic of Palau, the Honorable Yoshiyuki Sadaoka, signed a grant contract (pictured below) for the procurement of two (2) anesthesia machines for the Belau National Hospital.



*Signing of the Project's Grant Contract*



*Group Photo after Signing of the Grant Contract*

The grant was deposited into a bank account separate from and independent of National Treasury and was administered and controlled by the Embassy of Japan in the Republic of Palau.

The anesthesia machines were projected to support and enhance surgical operations and were crucially needed in the hospital. Prior to the purchase of the two machines, the BNH operated two anesthesia machines that were purchased twenty years ago, with only one of the machines working, resulting in a long waiting list of surgery patients at the hospital.



The grant was used to purchase two (2) new and more technologically advanced anesthesia machines with the essential accessories to support a safer and more précised operations. The amount of the grant awarded for the procurement of Anesthesia Machines was one hundred eight thousand one hundred four U.S. dollars (USD \$108,104).

The \$108,104 was used to procure the Anesthesia Machines and ancillary equipment shown below:

Item	Quantity
Anesthesia Machine	2
CO2 Gas Monitor	2
Multi-Gas Monitor	2
Patient Monitor	2
Monitor Arm	2
Anesthetic Gas Scavenging System	2
Gas Hose	2
Freight	1
Installation and Training	1

The Grant Contract states, among other requirements, that the recipient agrees to do the following:

- A. Provide the official receipt of the grant received to the Donor.
- B. Provide a procurement contract for product or services upon request by the Donor.
- C. To use the grant properly and exclusively for the purchase of the product and services necessary for the execution of the project.
- D. To provide the Donor with the following reports:
  - Project completion report
  - Any other reports upon request by the Donor
- 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
  - To change how the grant is spent from the original plan in the application
  - To change the contents of the Project
  - To suspend and/or terminate execution of the Project
  - To extend the completion date of the Project
  - To return the grant to donor
- G. To keep accounting documents that verify how the grant was spent for at least five (5) years
- 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 donor will not be responsible for anything that happens during the execution of the Project;
- I. To consult with donor promptly on all matters that may have influences 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 whole of the grant remains unused when the execution of the project is suspended or terminated, (2) The Recipient breaches the contract;
- K. Contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

On September 24, 2013, the Ambassador of Japan to the Republic of Palau formally handed over two anesthesia machines to the Belau National Hospital. The handover ceremony (pictured below) was held at BNH conference room in Meyuns, Koror.



*Group Photo: Handover Ceremony for the Anesthesia Machines Procurement Project*

## **OBJECTIVE**

The objective of the audit was to determine whether the Belau National Hospital (BNH) administered the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) whether the anesthesia machines were properly recorded into the Republic of Palau's (ROP) accounting records and tagged as ROP property.

## **SCOPE**

The scope of the audit covered the period from March 06, 2013 to March 05, 2014, the period stipulated in the Grant Contract as being the agreed-to time period for the execution and completion of the project. 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.

The audit did not cover the applicability of the 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.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the grant, or the hospital, or any component or accounts within those financial statements and therefore express no opinion on the financial statements.

## METHODOLOGY

The OPA 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.

To accomplish the audit objective, the OPA reviewed the project Grant Contract and GGP guidelines. The OPA also reviewed project documents provided by the Belau National Hospital including fund drawdown requests and disbursements. The OPA also met and discussed the project with the BNH grant administrators and the Grants Coordinator for Government of Japan's Grant Assistance for Grassroots Human Security Projects (GGP) at the Embassy of Japan in Palau. The OPA also conducted on-site visit of the project to inspect the anesthesia machines and ancillary equipment. Captured below are some images of the project taken during the on-site visit:



*On-Site Visit: Front view of Anesthesia Machine No.1*



*On-Site Visit: Front view of Anesthesia Machine No.2*

The OPA also conducted expenditures testing of the client's records and accounting system and procedures to assess the adequacy of the client's system of internal controls and compliance with the grant contract and GGP procurement guidelines.

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.

## **PRIOR AUDIT COVERAGE**

The Belau National Hospital's financial operations are subject to the annual Single Audit of the Republic of Palau National Government. The grant funds for the Project for the Procurement of Anesthesia Machines were not subject to the Single Audit as the funds were administered separate from and independent of national treasury. The most recent Single Audit of the National Government was completed for fiscal year 2014 by Deloitte Touché.

As earlier mentioned, the OPA previously conducted an audit of another of Japan's GGP-funded project for the procurement of Laboratory Equipment and a Neonatal Unit for the BNH. The audit for this project was issued on December 24, 2014.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding No. 1: Project Accounting Records and Related Documents**

As required by the Terms and Conditions of the Grant Contract, the grant recipient should maintain and retain accounting records and related documents to support the expenditure of grant funds and to facilitate the provision of required documents to the donor as well as comply with donor-imposed audit requirements.

Part A of the Grant Contract requires that the BNH provide to the Donor an official receipt for the grant received.

When we requested to examine the official receipt, the BNH did not have a copy on file so it had to obtain a copy from the Donor for our examination.

Part G of the Grant Contract requires that the BNH maintain and retain accounting records to support expenditure of grant funds.

When we requested to examine the project's bank statements, the BNH did not have copies on file so it had to request copies from the bank, which the bank charged \$55 service fee.

The GGP Procurement Guidelines require three price quotations for the purchase of goods or services.

When we requested to examine the three price quotations for the procurement of Anesthesia Machines, the BNH was unable to locate and provide the quotations so copies were obtained from the donor for our examination.

The cause of the above condition seems to be that the records custodian is not diligently maintaining the project accounting records and related documents and the grant administrator is not performing the level of supervision required to ensure that the functions are properly carried out.

As a result, accounting records and other related documents critical to the administration of the Grant Contract, and compliance with the same, were not all in proper order.

### ***Recommendation***

We recommend that the recordkeeping responsibility for the financial operations of the BNH, whether the source of funds is local, grants, or otherwise, be centralized within the Division of Finance. In this way, the accounting and recordkeeping functions fall under the umbrella of one office rather than dispersed among multiple individuals or offices. In addition, we recommend that those responsible for record maintenance be more diligent in securing,

retaining, and filing accounting records and related documents to ensure their availability upon request by donor and other users.

### ***MOH's RESPONSE***

*We concur with the finding No.1. Corrective Action: The accounting record and related documents will be centralized at the MOH, Budget & Finance Office regardless of the funding source. This process is already in effect.*

### **Finding No. 2: Procurement Contract**

Part B of the Grant Contract states in part: 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.

The audit revealed that the BNH may not have executed a Procurement Contract with the supplier (vendor) of the Anesthesia Machines and therefore was unable to provide a Procurement Contract to the Donor as required under the terms and conditions of the Grant Contract. Likewise, the BNH was unable to provide a Procurement Contract for our examination. In addition, the GGP Procurement Guidelines require the recipient to sign a Procurement Contract with the supplier of goods. In an interview with the designated audit liaison officer, the OPA was told that the BNH did not sign a Procurement Contract with JMI-Edison Company (the supplier), which was confirmed by email from the same official.

It appears the cause of the above condition is failure of the grant administrator to adhere to the terms and conditions of the Grant Contract and the GGP Procurement Guidelines by executing a Procurement Contract with the supplier of the Anesthesia Machines and providing a copy of the contract to the Donor.

As a result, the Belau National Hospital was not in compliance with terms and conditions of the Grant Contract and the GGP Procurement Guidelines.

### ***Recommendation***

The OPA recommends that in future GGP-funded projects, the grant administrators and appropriate-level management become familiar with the grant terms and conditions in order to be more effective in the execution and administration of projects and related funding requirements. In addition, grant administrators, and BNH's senior management, should conduct the necessary-level supervision and monitoring to ensure that the terms and conditions of the grant are being met. In the meantime, the BNH's management should consult with the Embassy of Japan in Palau on resolving the above issues so as not to jeopardize future requests for financial assistance.

## ***MOH's RESPONSE***

*We concur with the finding No. 2. Corrective Action: The procurement procedures for all items purchased will go through Ministry of Health procurement procedures to ensure that all required conditions of the grant is in compliance.*

### **Finding No. 3: Project Completion and Extension**

Part D of the Grant Contract requires the recipient to provide a project completion report upon completion of the Project. In addition, Part E states: To complete the Project within one year after the contract date (March 06, 2013). Moreover, Part F (4) requires the recipient to consult and receive instructions from the Donor in case the recipient wishes to extend the completion date of the Project.

We found that the project was not completed within one year of the contract date; contract date is March 06, 2013; therefore, completion date should have been on or before March 06, 2014. The actual project was completed (installation and training) and the handover of equipment was held on September 24, 2013, but the reporting requirement, i.e., project completion report, has not been submitted to the Japanese Embassy in Palau and therefore the project is not considered complete. In addition, we were not provided evidence to demonstrate that the recipient consulted with and received instructions from the Embassy to extend the project completion date.

It appears the actual project was completed and the handover ceremony was held on September 24, 2013 but, since then, the program administrators have not completed and submitted the required Project Completion Report to the Japanese Embassy.

As a result, the recipient was not in compliance with the Grant Contract requirements with respect to completing the Project within one year of the grant contract date and submitting the project completion report and consulting with and receiving instructions from the Japanese Embassy to extend the project completion date. In addition, failure to comply with the terms and conditions of the Grant Contract may affect the BNH's opportunities for future GGP-funded projects.

### ***Recommendation***

The OPA recommends that in future GGP-funded projects, the grant administrator become familiar with and be more attentive to the grant terms and conditions in order to be more effective in the execution and administration of projects and related funding requirements. In addition, the grant administrator, and BNH's senior management, should conduct the necessary-level supervision and monitoring to ensure that the terms and conditions of the grant are being met. In the meantime, the BNH's management should consult with the Embassy of Japan on resolving the above issues so as not to jeopardize future requests for financial assistance.

## **MOH's RESPONSE**

*We concur with the finding No. 3. Corrective Action: We have established procedures to ensure that when projects are completed a completion report is prepared timely and submitted to granting agency.*

### **Finding No. 4: External Audit**

The Japan Grant Assistance for Grass-Roots Human Security Projects (GGP) Procurement Guidelines requires for an external audit of any grant over 3,000,000 yen (equivalent to \$30,000 USD); with the exception that the recipient organization is a public institution and has its annual/regular auditing following the law; if it can also include the GGP projects in its audit. The audit should be conducted after completion of a project.

The Anesthesia Machines Procurement Project Grant Contract was in the amount of \$108,104. In accordance with the GGP Guidelines, the Project should have required an audit; however, the Embassy of Japan allowed the Belau National Hospital to apply the exception rule thinking that the project transactions would be included in the annual audit of the Republic of Palau. This misconception may have also convinced the Embassy to omit the audit requirement in the Grant Contract for the Procurement of Anesthesia Machines, which normally is included in grant contracts for other GGP-funded projects for the Republic of Palau (i.e., Project for Fencing of Meyuns Elementary School). However, because the Anesthesia Machine Procurement grant was administered separate from and independent of the National Treasury, the Project transactions were not recorded into the national treasury's accounting records and therefore would not be subjected to the annual audit.

It appears the cause of the above condition is the misunderstanding by the Embassy of Japan and the Belau National Hospital that the Anesthesia Machines Procurement grant and related transactions would be covered by the annual audit of the National Government.

As a result, the requirement for the audit of the Anesthesia Machines Procurement Project was inadvertently omitted from the Grant Contract or exempted per the GGP Guidelines.

### ***Recommendation***

We recommend the Embassy of Japan in the Republic of Palau do either of the following:

- (1) Deposit the GGP grant into the National Treasury of the Republic of Palau and allow the National Treasury to administer the grant so as to subject the grant and related transactions to the annual audit of the national government or,
- (2) Include in the terms and conditions of the Grant Contract the requirement for an audit after completion of a project.



## **MOH's RESPONSE**

*We concur with the finding No. 4. Corrective Action: All GGP Grants are being audited henceforth.*

### **Finding No. 5: Advance Payment**

Payments for goods and services should be based on terms of payment mutually agreed to between the BNH and the supplier and on an actual invoice.

The audit revealed that the Japanese Embassy approved the BNH's request to use the remainder of the Anesthesia Machines procurement grant, \$2,133.32, to purchase auxiliary supplies for the anesthesia machines but the BNH without terms of payment with the vendor proceeded to issue an advance payment for the full amount (\$2,133.32) for the supplies based on a quotation from the supplier, instead of an actual invoice, and prior to receiving the supplies.

We were unable to determine why the BNH did not negotiate a terms of payments with the vendor and proceeded to issue the full payment for the supplies without an invoice and prior to receiving the supplies.

As a result, we were unable to determine the actual costs of the supplies without an invoice and the BNH has disbursed a \$2,133.32 payment without the goods or invoice to justify the payment.

### ***Recommendation***

We recommend the BNH only disburse grant funds based on terms of payment mutually agreed to with the supplier and on an actual invoice.

## **MOH's RESPONSE**

*We concur with the finding No. 5. Corrective Action: We will establish procedures to ensure that all payments are supported by invoices or equivalent.*

### **Finding No. 6: Recording and Tagging of Equipment**

Sound internal controls dictate that all capital assets of the Republic of Palau (ROP) be recorded in accounting records to ensure the accuracy of financial statements. In addition, the property should be tagged or identified to reflect ownership of the asset. This applies whether the assets are purchased through local funds, grants, or otherwise.

The Anesthesia Machines Procurement grant was awarded to the Belau National Hospital and administered outside of the Republic of Palau National Treasury under the control of the Embassy of Japan in the Republic of Palau. Therefore, the national treasury's internal controls

for recording, tagging and monitoring capital assets were essentially removed from the procurement of the anesthesia machines project; in other words, the anesthesia machines and accessories were not recorded into the ROP's accounting records and tagged as ROP property.

Although the BNH was required to administer the grant in accordance with the Grant Contract, the contract did not restrict or prohibit the BNH from transmitting the records of purchases to the Bureau of National Treasury for recording into the ROP's accounting system and tagging as ROP property.

As a result, the anesthesia machines and accessories have not been recorded, tagged, and monitored as ROP property. In addition, the financial statements of the ROP may not reflect the value of the equipment.

### ***Recommendation***

The OPA recommends that the BNH transmit records of transaction for the procurement of anesthesia machines to the Bureau of National Treasury for recording into the ROP's accounting system and proper tagging as ROP property.

### ***MOH's RESPONSE***

*We concur with the finding No. 6. Corrective Action: The Property & Supply Division of the National Government have tagged the items purchased.*

### **Finding No. 7: Operation of Anesthesia Machines**

Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the procurement of anesthesia machines was given to the Belau National Hospital to help improve medical treatment in Palau and the lives of the people.

According to an anesthetist at the BNH, before the purchase of these new machines the hospital used two antiquated anesthesia machines that had been in operation for over 20 years and nearing the end of their useful lives; one was totally broken-down and the other was too risky to administer medicine. This created a waiting list of patients and, at times, the hospital had to turn away patients.

The new anesthesia machines were installed on July 18, 2013, with simultaneous training for technicians and clinical users. The pictures below were taken during installation and training:



The first patient to use the new machines was on July 20, 2013. Since then, as of June 11, 2015, a total of 890 patients have been administered anesthetics using the new machines. According to the anesthetist, the new machines are more technologically advanced and allow monitoring of patients during the administration of anesthesia to ensure a safe and less risky operation.

The extraordinary improvement in the area of anesthesia application came about as a result of Japan's GGP grant for the procurement of anesthesia machines for the Belau National Hospital.

As a result, the waiting list for patients has diminished and patients are treated in a safe and less risky environment.

### ***Recommendation***

We commend the Belau National Hospital and the Embassy of Japan in the Republic of Palau for the partnership through Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) to procure the critically needed anesthesia machines for the Belau National Hospital. These machines have improved medical treatment in Palau and the lives of the people today and the years to come.

## **MOH's RESPONSE**

*We concur with finding No. 7. Since July 2013 a total of 890 patients received surgical procedures through the use of the said Anesthesia Machines.*

## **CONCLUSION**

The Japan Embassy in the Republic of Palau through the Grant Assistance for Grass-Roots Human Security Projects (GGP) awarded a grant for the procurement of Anesthesia Machines to the Belau National Hospital (BNH, Ministry of Health). The BNH and the Japan Embassy entered into a Grant Contract for the execution of the project.

The Grant Contract for the Procurement of Anesthesia Machines was for the amount of \$108,104. The grant funds were used to purchase two (2) anesthesia machines and ancillary equipment and supplies.

The audit revealed several weaknesses/deficiencies in the execution and administration of the Grant Contract such as:

- insufficient accounting records,
- failure to provide to the donor a procurement contract,
- failure to complete the project within one year of the date of the Grant Contract and submitting a Project Completion Report and consulting and receiving instructions from the donor to extend the project completion date,
- misunderstanding on the audit requirements for the project,
- making an advance payment without terms of payment with the vendor and based on a quotation, instead of an invoice, and prior to receiving the goods, and
- failure to record the equipment into the National Treasury's accounting records and tagging as ROP Property.

Recommendations are offered which, if implemented, we believe, will resolve these findings.

The BNH needs to work with the Embassy of Japan to resolve the above issues and to establish a system to support an effective and efficient execution and administration of Japan's GGP grants so as to not jeopardize Palau's opportunities for future GGP grants. As of August 13, 2015, the entire amount of the Grant, \$108,104, has been expended by the BNH to purchase two anesthesia machines and accessories and related supplies.

In conclusion, the partnership between the Belau National Hospital and the Embassy of Japan in the Republic of Palau through the Japan's Grant Assistance for Grass-Roots Human Security Projects (GGP) to purchase the anesthesia machines for the Belau National Hospital provided enormous improvements to medical treatments in Palau and the lives of the people today and in the future.



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

**OFFICE OF THE PUBLIC AUDITOR  
REPUBLIC OF PALAU  
P. O. BOX 850  
KOROR, REPUBLIC OF PALAU 96940**

**Ground Floor  
Orakiruu Professional Building  
Madalaii, Koror, Republic of Palau**

**TELEPHONE NOS: (680) 488-2889/5687  
FACSIMILE NO: (680) 488-2194  
WEBSITE ADDRESS: [www.palauopa.org](http://www.palauopa.org)  
E-MAIL ADDRESS: [admin@palauopa.org](mailto:admin@palauopa.org)**

**MONDAY THRU FRIDAY  
7:30 a.m. - 4:30 p.m.**

**(Closed on Legal Holidays)**