



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

**PERFORMANCE AUDIT REPORT**



**ON**

**JAPAN'S GRANT ASSISTANCE FOR GRASS-ROOTS  
HUMAN SECURITY PROJECT**

**FOR**

**"THE PROJECT FOR SCHOOL BUS PROCUREMENT  
FOR NGARAARD ELEMENTARY SCHOOL"**

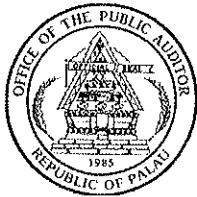


**MINISTRY OF EDUCATION**  
**REPUBLIC OF PALAU**

**Period from September 03, 2015 thru September 02, 2016**

*Performed by the Office of the Public Auditor*

JPMOE-16-03P\*opa00



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Office of the Public Auditor

January 31, 2017  
*Serial#: opa17-063au*

Honorable Sinton Soalablai  
Minister  
Ministry of Education  
Koror, Republic of Palau

**Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for School Bus Procurement for Ngaraard Elementary School"**

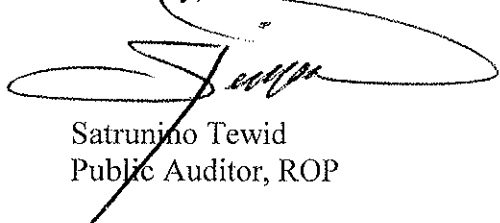
Dear Minister Soalablai:

This report presents the result of our audit of Japan's Grant Assistance for the Project for Procurement of School Bus for Ngaraard Elementary School.

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 Project for School Bus Procurement  
for Ngaraard Elementary School"**

**Ministry of Education  
Republic of Palau**

**For the Period September 03, 2015 to September 02, 2016**

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EXECUTIVE SUMMARY

January 31, 2017

Honorable Sinton Soalablai  
Minister  
Ministry of Education  
Koror, Republic of Palau

**SUBJECT:** Final Audit Report on the Japan’s Grant Assistance for Grass-Roots Human Security Project (GGP) for “The Project for School Bus Procurement for Ngaraard Elementary School” for the period from September 03, 2015 to September 02, 2016

Dear Minister Soalablai:

This audit report presents the result of our audit on Japan’s Grant Assistance for Grass-Roots Human Security Project (GGP) for the Project for Procurement of two 15-seater mini-buses for Ngaraard Elementary School (NES or Recipient). The audit covered the Grant Contract period from September 03, 2015 to September 02, 2016.

**WHY OPA CONDUCTED THE AUDIT**

Upon your request, the Office of the Public Auditor initiated an audit of Japan’s Grant Assistance for Grassroots Human Security Projects (GGP) to the Ngaraard Elementary School; specifically, the project for “ Procurement of School Bus” for Ngaraard Elementary School. The audit was requested to comply with the terms and conditions of the grant and to prevent potential delays in approval of future requests for financial assistance by Japan. Shown below is the GGP grant project the Embassy of Japan awarded to Ngaraard Elementary School.

Project Name	Project Amount	Project Scope
School Bus Procurement	\$ 88,894	September 03, 2015 to September 02, 2016

**AUDIT OBJECTIVE**

The objective of the audit was to determine whether the Ministry of Education (MOE) administered, on behalf of Ngaraard Elementary School, the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) the project's fixed assets were properly tagged and recorded into the ROP's accounting records.


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

**WHAT OPA FOUND**

Based on our audit, we found that the Ministry of Education (MOE) administered the GGP Grant for the procurement of School Bus in compliance with the Grant Contract and the GGP procurement guidelines. In addition, our review of project documentation showed that the MOE, acting on behalf of Ngaraard Elementary School, used the grant to procure two 15-seater buses in accordance with the purpose of the grant. Therefore, there are no findings in this audit report.

Finally, the Office of the Public Auditor would like to extend its appreciation to the management and staff of the Bureau of Education and Administration, Ministry of Education, for their cooperation and professional courtesy extended to us during the audit.

Sincerely,



Satrunino Tewid  
Public Auditor, ROP



**FINDINGS AND RECOMMENDATIONS**

***Procurement of Two 15-Seater Mini-School Buses/Vans***

Ngaraard Elementary School (NES) applied for Japan’s GGP grant and was approved \$88,894 in funding for “The Procurement of School Bus”. The NES grant was administered by the Ministry of Education (MOE). The MOE used the funds, \$88,894, to purchase two 15-seater mini-school buses at a cost of \$93,050.00 for the Ngaraard Elementary School. The difference in cost of the project and grant funding (\$93,050-\$88,894), \$4,156, was provided by the MOE as matching fund for the Project, as stipulated in a letter of commitment from the MOE to the Embassy of Japan in Palau dated August 13, 2015. The procurement included the following:

Item	Quantity	Costs
Micro Bus	2	\$ 91,390
Painting	2	\$ 1,160
Spare Tire	8	\$ 500

**Total Project Costs: \$ 93,050**

On August 22, 2016 and September 09, 2016, the Office of the Public Auditor conducted on-site inspections of the NES’s two 15-seater mini-buses and took the pictures shown below: The buses also are tagged as Republic of Palau Government property.



Field inspection and pictures of the two mini-buses

According to the MOE grant administrator, the eight (8) spare tires are stored at the supplier's (vendor) storage room pursuant to a letter agreement stipulating that the tires are to be stored for not more than a year or until the tires are mounted on the NES's buses. The School Buses have been in operation and provide safe and reliable transportation for the NES students to and from school and also allow students and school officials to participate in extracurricular activities beyond the school grounds.

Based on our audit, we found that the Ministry of Education, acting on behalf of the Ngaraard Elementary School (recipient), used the grant to procure two 15-seater mini-school buses for Ngaraard Elementary School in accordance with the purpose of the grant. Therefore, there are no findings in this report.

We commend the Ministry of Education (MOE) for administering the Japan's Grant Assistance for Grass-Roots Human Security Project (GGP), the Project for the procurement of school buses for Ngaraard Elementary School, in compliance with the grant contract and the GGP procurement guidelines. We further commend the MOE for taking corrective action to ensure that said equipment are properly identified and tagged as Republic of Palau property.

**MOE's Response:** *We have reviewed the Ngaraard Elementary School GPP Project draft audit report covering the period from September 03, 2015 to September 02, 2016.*

*We accept the report as is. Furthermore, we thank you and your office for your diligent effort and for the services you provide.*

**OPA's Comments:** Subsequent to the issuance of the Draft report, the MOE provided additional documentation to evidence that the eight (8) spare tires that were stored in the vendor's warehouse, as per agreement, were mounted on the two Ngaraard Elementary School buses, replacing the original tires after approximately eight months of operation.

## CONCLUSION

The Japan Embassy in the Republic of Palau through the Grant Assistance for Grass-Roots Human Security Projects (GGP) awarded a grant in amount of \$88,894 for the procurement of two 15-Seater mini-School Buses for the Ngaraard Elementary School (NES). The Ministry of Education (MOE) administered the grant on behalf of the NES.

Our audit found that the MOE administered the grant to procure the two 15-seater mini-School Buses in accordance with the Grant Contract and the GGP Procurement Guidelines. Hence, there are no findings in this audit report.

In conclusion, the partnership between the Japan Embassy in the Republic of Palau and Ngaraard Elementary School, jointly with the Ministry of Education, through the Japan's Grant Assistance for Grass-Roots Human Security Projects (GGP) to purchase the two 15-seater mini-school buses has provided for a safe, reliable and improved transportation system to the NES students. The buses



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transport the students to and from school and further provide opportunities for students and school officials to participate and interact in school activities outside the school grounds.

**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 guidelines, the Ngaraard Elementary School (NES) under the direction of the Ministry of Education applied for and was approved financial assistance for a Project for the procurement of School Buses. In accordance with the grant requirements, the NES entered into a Grant Contract with the Embassy of Japan in the Republic of Palau. The Grant Contract was signed on September 03, 2015 by Principal Spis Sakuma, Ngaraard Elementary School, and Ambassador Kazuhiro Tajiri of the Embassy of Japan. The signing ceremony was held at the Embassy of Japan in the Republic of Palau and was witnessed by the Minister of Education, Mr. Sinton Soalablai, Senator Arnold Oilouch, Director of Bureau of Education Administration Andrew Tabelual, and Chief of School Management Raynold Mechol. The Project was to be completed within one year after the contract date.



*Signing of the Project's Grant Contract*



*Group Photo after Signing of the Grant Contract*



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The project grant award was in amount of \$88,894 for the purpose of procuring school buses and related accessories shown below:

Item	Quantity
Micro Bus	2
Ocean Freight	1
Painting	2
Spare Tire	8

Pursuant to the Grant Contract, among other requirements, the recipient agrees to do the following:

- A. Provide the Donor with an official receipt for the grant received;
- 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 as enumerated in the Annex of the contract;
- D. To provide the Donor with one project completion report upon completion of the Project and any other reports on the Project to be provided 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
- G. To keep accounting documents that verify how the grant was spent for at least one year 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 to agree that donor will not be responsible for anything that happens during the execution of the Project;
- I. To consult with the donor on any matter arising in connection with this contract;

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- J. To 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

The objective of the audit was to determine whether the Ministry of Education, acting on behalf of the Ngaraard Elementary School, administered the grant funds in compliance with (1) the terms and conditions of the grant contract, (2) the GGP procurement guidelines, and (3) the project equipment were properly tagged as Republic of Palau's property.

The audit covered the Grant Contract period from September 03, 2015 to September 02, 2016. The audit, however, will cover other periods as necessary if the Project and associated funding was not completed or expended respectively within that one (1) year period.

We did not conduct audit procedures to determine whether the Ministry of Education administered the project's procurements in compliance with the Republic of Palau's Procurement Law and Regulations as Japan imposed the use of GGP procurement guidelines.

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

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 Ministry of Education or any components 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 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 the audit objective, the OPA reviewed project documents provided by the Ministry of Education. The OPA also met and discussed the project with the MOE grant administrators

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and the GGP Grants Coordinator at the Embassy of Japan in Palau. The OPA also conducted on-site visits to inspect the two 15-seater mini-school buses procured for the Ngaraard Elementary School.

The Office of Public Auditor 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.

**PRIOR AUDIT COVERAGE**

The Ministry of Education's financial operations are subject to the annual Single Audit of the Republic of Palau National Government. The most recent audit of the National Government was completed for fiscal year 2015 by Deloitte Touché. As previously mentioned, however, because the project's funds are maintained independent of and separate from the National Treasury, the project activities are not subject to the Single audit coverage.

The OPA previously conducted an audit of another of Japan's GGP-funded project for the Ministry of Education entitled "Procurement of Water Catchment System for Schools in Palau." The audit for this project was issued on April 06, 2016.



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

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

**(Closed on Legal Holidays)**