



**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 THE PROCUREMENT OF SCHOOL  
BUS FOR MELEKEOK ELEMENTARY SCHOOL"**



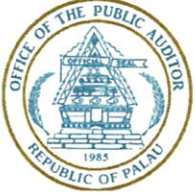
**MINISTRY OF EDUCATION  
REPUBLIC OF PALAU**

**Period from March 16, 2018 thru March 15, 2019**

*Performed by the Office of the Public Auditor*

**JPMOE-19- P01\*opa00**

REPUBLIC OF PALAU



Office of the Public Auditor

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November 21, 2019  
*Serial#: opa20-012au*

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

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

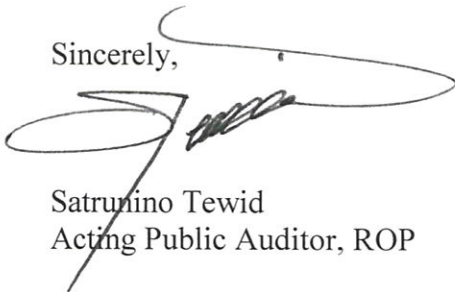
Dear Minister Soalablai:

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

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

**Japan's Grant Assistance for Grass-Roots  
Human Security Project for  
"The Project for Procurement of School Bus  
for Melekeok Elementary School"**

**Ministry of Education  
Republic of Palau**

**For the Period March 16, 2018 thru March 15, 2019**

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Office of the Public Auditor

November 21, 2019

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

Dear Minister Soalablai:

The Office of the Public Auditor at your request initiated an audit of the Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for the Procurement of School Bus for Melekeok Elementary School."

The Embassy of Japan in the Republic of Palau awarded the sum of \$107,245.00 to Melekeok Elementary School for the procurement of a School Bus pursuant to a Grant Contract executed between the Embassy of Japan and Melekeok Elementary School on March 16, 2018, as shown below:



*Signing of the grant contract on March 16, 2018  
Source: Japan Embassy Website*

The Objective of the audit is to determine whether Melekeok Elementary School: (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) fixed assets were properly tagged and recorded, as appropriate, into the ROP's accounting records.

The Office of the Public Auditor audited 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.

### Background

One of the core functions of the Ministry of Education (MOE) is to provide adequate and equitable education for all children ages 6-17 through the public school system. To facilitate this function, a reliable system of transportation is critical to ensure that students can get to and from school safely, and on time. To that end, Melekeok Elementary School worked in collaboration with the Ministry of Education (MOE) to apply for and obtain funding from the Government of Japan's GGP development project to procure a school bus for the school. The Melekeok Elementary and MOE worked with the Embassy of Japan to procure the bus and related accessories.

The purpose of the grant was to procure the following equipment:

Item	Quantity
Microbus	1
Painting	1
Spare Tire	1

### Objective, Scope, and Methodology

The objective of the audit is to determine whether Melekeok Elementary School: (1) administered the grant funds in compliance with the terms and conditions of the grant contract, (2) complied with the grant's GGP procurement guidelines, and (3) fixed assets were properly tagged and recorded, as appropriate, into the ROP's accounting records.

The scope of the audit covered the period from March 16, 2018 through March 15, 2019.

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

In line with Japan's Grant Assistance for Grassroots Human Security Project (GGP), the Government of Japan imposes and requires recipients to follow GGP procurement policies and therefore we did not assess compliance with the Republic of Palau Procurement Law and Regulations. In addition, the grant funds were deposited and administered outside of and separate of national treasury under the control of the Grantor. Hence, we did not assess compliance with the ROP Procurement Law and instead assessed compliance with GGP procurement policies and procedures.



## Office of the Public Auditor

In addition, as the grant funds were deposited into a bank account and administered outside of and separate of national treasury, we did not assess compliance with national treasury laws of the ROP.

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 the Ministry of Education, Melekeok Elementary School and the Japan Embassy in the Republic of Palau. We also reviewed the applicable GGP procurement policies and procedures. In addition, we discussed the project with the Administrative Officer of the Bureau of Curriculum and Instruction of the Ministry of Education and conducted on-site visit of the project to inspect the School Bus at the Melekeok Elementary School.

### **Grant Contract**

In accepting the grant from the Embassy of Japan, Melekeok Elementary School 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 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 to be provided upon the completion of the Project (The 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.) One (1) Interim report to be provided within six months after the contract date.

2. 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 spend 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 donor promptly on all matters which may have 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. The 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, Melekeok Elementary School also agreed to additional terms in a "Side Letter" of Commitment from the Embassy of Japan stipulating the following:

1. Melekeok Elementary School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Melekeok Elementary School will not withdraw any amount from the said account without written prior consent from the Embassy of Japan.
3. Melekeok Elementary School will shoulder any excess amount necessary to complete the project, if the cost of the project exceeds the Government of Japan's grant.
4. Melekeok Elementary School will be responsible for the fuel expenses, daily inspection and the fee for any maintenance of the items granted.
5. Melekeok Elementary School will be responsible for submitting an audit report on the grant issued by the Public Auditor to be provided upon the completion of the Project.



### Project Expenditures

Melekeok Elementary School purchased one (1) 30-seater school bus and related accessories. Table 1 below shows the costs of one (1) 30-seater school bus and accessories:

**Table 1: Cost of School Bus and Accessories**

Item/Quantity	Price (\$US)	Description
<b>Total Japan Grass-roots Grant</b>	<b>\$107,245.00</b>	The fund was deposited into BOH C/A No. 0032-530745 on March 27, 2018
1 Each 20170615001	\$ 92,844.00	Nissan Civilian 30 Seater Microbus w/Emergency Hammer & Sticker Model: UGNHLDFW41ECB-AFB Engine: 4,500 CC 5MT/Left Handle/30Seat DX Grade with Emergency Hammer and Sticker
Container: L:7040xW:2130xH:2640mm	6,551.00	Ocean Freight
1 Each	550.00	Bus Sticker and Logo
1 Each	5,500.00	Painting Materials -Yellow
6 Each @ \$300.00	<u>1,800.00</u>	Tire, 7.00 R16 LT
<b>Total Expenditures</b>	<b><u>\$107,245.00</u></b>	
<b>Balance</b>	<b>0.00</b>	

The school bus arrived in Palau in July 2018 and underwent painting and logo placement. On August 28, 2018 the school bus was turned over to Melekeok Elementary School in a formal Handover Ceremony as shown below:



*Handover ceremony on August 28, 2018*

*Source: Japan Embassy Website*



### Finding of Compliance

Based on our audit, the Office of the Public Auditor found that the Melekeok Elementary School in collaboration with the Ministry of Education administered the GGP grant in compliance with the terms and conditions of the Grant Contract and the GGP Procurement guidelines. In addition, the Ministry of Education maintained proper controls over the school bus and all the records pertaining to the procurement of the school bus. Therefore, there are no findings to this audit report.



Source: Office of the Public Auditor

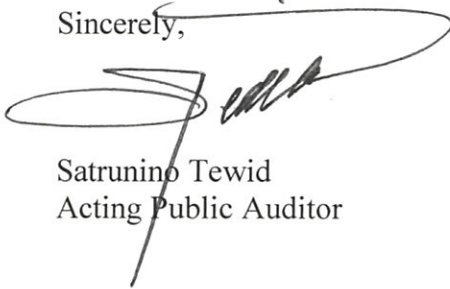
### Conclusion

The Melekeok Elementary School in collaboration with the Ministry of Education applied for and was awarded a grant from the Government of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the project for procurement of a school bus. The purpose of the School Bus is to alleviate the problem of transporting students to and from school. The Ministry of Education assisted the school in applying for and procuring the bus. Today, Melekeok Elementary School has the capacity to provide reliable transportation service for its students to and from school and to support other school-related activities outside of the school campus. Hence, the Melekeok Elementary School by collaborating with the Ministry of Education and in partnership with the Japan Embassy resulted in the improvement of transportation service not only for Melekeok Elementary School but also the public school system as a whole. Approximately (105) students of Melekeok Elementary School benefit from this project, as well as school personnel, parents, and community members who participate in related school activities today and into the near future.

**Office of the Public Auditor**

The Office of the Public Auditor would like to thank the staff and management of Melekeok Elementary School, the Ministry of Education and the Embassy of Japan in the Republic of Palau for their professional courtesy and cooperation during this audit.

Sincerely,

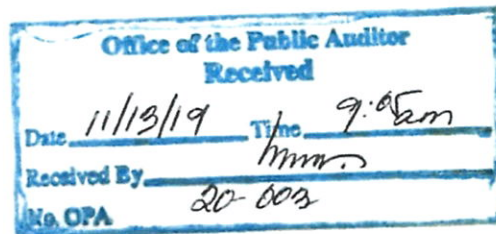
A handwritten signature in black ink, appearing to read 'Satrunino Tewid', is written over a large, loopy scribble. The signature is positioned above the printed name and title.

Satrunino Tewid  
Acting Public Auditor



REPUBLIC OF PALAU  
MINISTRY OF EDUCATION

OFFICE OF THE MINISTER



12 November 2019

Mr. Saturnino Tewid  
Public Auditor, ROP  
Office of the Public Auditor  
Koror, Republic of Palau 96940

**RE: Transmittal of response to DRAFT audit report on Japan's Grant Assistance for Grassroots Human Security Projects for *The Project for School Bus Procurement for Melekeok Elementary School***

Dear Auditor Tewid:

This is acknowledge receipt of the the DRAFT audit reports on Japan's Grant Assistance for Grassroots Human Security Projects to procure a bus for Melekeok Elementary School.

We have reviewed the report. We concur with the report as it is.

Thank you for the work that you do and for your part in educating our children.

Sincerely,

  
Sinton Soalablai

cc: MOE Management Team  
Principal, Melekeok Elementary School





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

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

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