



**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 UPGRADING SCIENCE LABORATORY  
FOR THE PALAU SEVENTH DAY ADVENTIST  
ELEMENTARY SCHOOL”**



**PALAU SDA ELEMENTARY SCHOOL  
REPUBLIC OF PALAU**

**Period from March 13, 2018 thru November 25, 2019**

*Performed by the Office of the Public Auditor*

**JPSDA-19-P07\*opa00**

REPUBLIC OF PALAU



Office of the Public Auditor

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May 25, 2022  
*Serial#: opa22-045au*

Mr. Nelson Sisior  
Vice Principal  
Palau SDA Elementary School  
Koror, Republic of Palau

**Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Upgrading Science Laboratory for the Palau Seventh Day Adventist (SDA) Elementary School"**

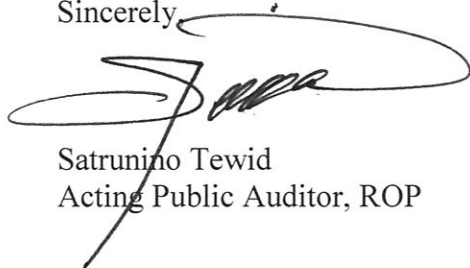
Dear Vice Principal Sisior:

This report presents the result of our audit of Japan's Grant Assistance for the Project for Upgrading Science Laboratory for Palau SDA Elementary School.

The Office of the Public Auditor (OPA) received your response, with supporting documents, to the Draft Audit Report. Accordingly, the draft report was revised to reflect the additional information accompanying your response to produce this 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, ROP

**Japan's Grant Assistance for Grass-Roots  
Human Security Project for  
"The Project for Upgrading Science Laboratory  
for the Palau Seventh Day Adventist (SDA)  
Elementary School"**

**Palau SDA Elementary School  
Republic of Palau**

**For the Period March 13, 2018 thru November 25, 2019**

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May 25, 2022

Mr. Nelson Sisor  
Vice Principal  
Palau SDA Elementary School  
Koror, Republic of Palau

Dear Vice Principal Sisor:

The Office of the Public Auditor at your request initiated an audit of the Japan's Grant Assistance for Grassroots Human Security Project; namely "The Project for Upgrading Science Laboratory for the Palau Seventh Day Adventist (SDA) Elementary School."

The Embassy of Japan in the Republic of Palau awarded the sum of \$37,027 to the Palau SDA Elementary School for the renovation of a science laboratory and procurement of laboratory equipment pursuant to a Grant Contract executed between the Embassy of Japan and Palau SDA Elementary School on March 13, 2018, as shown below:



Signing of the Grant Contract on March 13, 2018  
Source: Embassy of Japan Website

The Objective of the audit was to determine whether the Palau SDA 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) properly recorded the improvements and equipment into the school's accounting records.

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

## Background

The Government of Japan through the Grant Assistance for Grassroots Human Security Projects (GGP) provides small-scale assistance scheme to assist NGOs and public authorities in developing countries in responding to various development needs that directly benefits local residents for the purpose of economic and social development.

By way of this scheme, the Palau SDA Elementary School entered into a Grant Contract with the Embassy of Japan in the Republic of Palau "For the Project for Upgrading the School's Science Laboratory." The Project will allow the SDA Elementary School to provide students with a safe learning environment and hands-on experience to enhance their knowledge and interest in science. The project is to be completed within one year period after the contract date.

The purpose of the grant was to procure products and/or services below:

| Item                             | Quantity |
|----------------------------------|----------|
| Renovation of Science Laboratory | 1        |
| Purchase of Laboratory Equipment | 1        |

## Objective, Scope, and Methodology

The Objective of the audit was to determine whether the Palau SDA 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) properly recorded the improvements and equipment into the school's accounting records.

The scope of the audit covered the period from March 13, 2018 through November 25, 2019.

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

The Government of Japan imposes and requires recipients to follow the GGP procurement policies in the procurement of goods and services and the Embassy maintains control over the project bank account established solely for the purpose of the project. Withdrawals from the account requires prior approval of the Embassy. Consequently, audit procedures will be conducted specifically to assess compliance with these requirements.

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 Palau SDA Elementary School and the Japan Embassy in the Republic of Palau. These documents included, but not limited to, the receipt and disbursement of grant funds and supporting documents. We also reviewed applicable GGP procurement policies and procedures. In addition, we discussed the project with the Vice Principal of Palau SDA Elementary School and conducted site visits to inspect the project.

## **Grant Contract**

In accepting the grant from the Embassy of Japan, the Palau SDA 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 for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor;
- D. To provide 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.) (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 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;
- 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 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. That this 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, Palau SDA Elementary School also agreed to additional terms and conditions contained in a "Side Letter" of commitment with the Embassy of Japan stipulating the following:

1. Palau SDA Elementary School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Palau SDA Elementary School will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
3. Palau SDA Elementary School will shoulder any excess amount necessary to complete the project, if the cost of the project surpasses the Government of Japan's grant.

4. Palau SDA Elementary School will be responsible for daily inspection and the fee for any maintenance of the items granted.
5. Palau SDA Elementary School will submit an audit report on the Government of Japan's grant issued by the Public Auditor upon completion of the project

### Project Grant and Expenditures

Palau SDA Elementary School deposited the grant funds and used the funds to purchase materials, services, and equipment for the renovation and upgrade of the science laboratory as shown below:

**Table 1: Grant Fund**

| Date                        | Account Activity      | Account Amount   | Description   |
|-----------------------------|-----------------------|------------------|---|
| 3/27/2018                   | Wire Transfer/Deposit | 37,027.00        | The Japan Grass-roots Grant was wire transferred and deposited into Palau SDA Elementary School's BOH Checking Account on March 27, 2018. |
| 3/11/2019                   | Customer Deposit      | 75.00            | Payment of outgoing wire transfer fee.  |
| <b>Total Account Amount</b> |                       | <b>37,102.00</b> |   |

**Table 2: Cost of Renovation and Laboratory Equipment**

| Check Date               | Check No.              | Check Amount     | Invoice Date | Invoice Amount   | Description   |
|--------------------------|------------------------|------------------|--------------|------------------|---|
| 6/25/2018                | 101                    | 3,673.39         | 6/22/2018    | 3,673.39         | Plywood, lumbers, paint, plumbing, materials, nails, etc.     |
| 6/27/2018                | 102                    | 1,237.22         | 6/22/2018    | 1,237.22         | Lumber, sink materials  |
| 7/24/2018                | 103                    | 192.66           | 7/23/2018    | 192.66           | Drawer Guides   |
| 7/26/2018                | 107                    | 21.00            | 7/23/2018    | 21.00            | Catch Magnetic  |
| 7/24/2018                | 108                    | 233.93           | 7/23/2018    | 233.93           | Glue, Pipe, Hinge, Pull                                       |
| 7/27/2018                | 109                    | 338.82           | 7/26/2018    | 338.82           | Paint, Glue, Caulk, Brush, Cement                             |
| 8/1/2018                 | 110                    | 3,556.94         | 7/30/2018    | 3,556.94         | Payment of Labor Cost   |
| 8/3/2018                 | 111                    | 352.29           | 7/18/2018    | 352.29           | Lumbers, Plywood, Cement, Pipe, & Accessories                 |
| 3/11/2019                | Outgoing Wire Transfer | 25,045.38        | 3/25/2019    | 25,045.38        | Science Equipment   |
| 3/11/2019                | Service Fee            | 75.00            | 3/8/2019     | 75.00            | Outgoing Wire transfer service fee                            |
| 12/10/2019               | 112                    | 2,375.37         |              | 2,375.37         | Reimbursement to SDA for additional equipment & freight costs |
| <b>Total Expenditure</b> |                        | <b>37,102.00</b> |              | <b>37,102.00</b> |   |



On November 25, 2019, the Renovated Science Lab with new equipment was turned over to the Palau SDA Elementary School in a formal Handover Ceremony shown below:



Handover ceremony on November 25, 2019  
Source: Embassy of Japan Website

## Finding of Compliance

Based on our audit, the Office of the Public Auditor found that the Palau SDA Elementary School administered Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Upgrading Science Laboratory for the Palau Seventh Day Adventist (SDA) Elementary School" in compliance with the terms and conditions of the grant contract, Side Letter, and the GGP Procurement guidelines. In addition, the Palau SDA Elementary School maintained proper inventory and records pertaining to the renovation of the Science Laboratory and laboratory equipment upgrade. Based on this assessment of compliance, there are no findings in this audit report.



## Conclusion

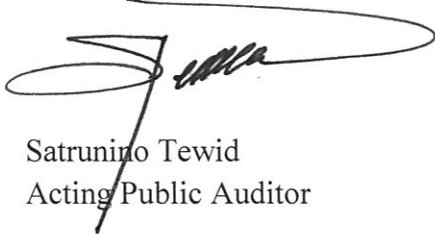
Palau SDA Elementary School applied for and was awarded a grant from the Government of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the Project for the renovation of a science laboratory and upgrade of laboratory equipment. According to the SDA Elementary School's Vice Principal, the GGP grant has equipped the school to provide approximately 265 students with a safe learning environment and



hands-on experience to enhance their knowledge and interest in science. In addition, the Science Laboratory is open to all SDA Elementary School students and teachers to explore, learn, and use the lab and the equipment.

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

Sincerely,



Satrunino Tewid  
Acting Public Auditor



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

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