



OFFICE OF THE PUBLIC AUDITOR REPUBLIC OF PALAU

PERFORMANCE AUDIT REPORT

on

BELAU NATIONAL HOSPITAL

MINISTRY OF HEALTH AND HUMAN SERVICES



JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECT:

The Project for Procurement of ICU Vital Signs Monitors for Belau National Hospital

Period from February 27, 2019, through January 13, 2023

Performed by the Office of the Public Auditor

Report Number: 2025-004

REPUBLIC OF PALAU



P. O. Box 850 Koror, Republic of Palau 96940 TEL (680) 488-2889/5687 FAX (680) 488-2194 EMAIL admin@palauopa.org www.palauopa.org

May 8, 2025 Serial #: opa25-085au

Dr. Ngirachisau Mekoll Director, Bureau of Hospital & Clinical Services Belau National Hospital, Ministry of Health and Human Services Koror, Republic of Palau

Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human

Security Project for "The Project for Procurement of ICU Vital Signs

Monitors for Belau National Hospital"

Dear Dr. Mekoll:

This report presents the results of our audit of Japan's Grant Assistance for "The Project for Procurement of ICU Vital Signs Monitors for Belau National Hospital."

We received your response to the Draft Audit Report and have published it verbatim in the final report.

If you have any questions regarding the report or the subject matter discussed therein, we will be available at your request.

Sincerely,

Satrunino Tewid

Acting Public Auditor

Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Procurement of ICU Vital Signs Monitors for Belau National Hospital"

Belau National Hospital Ministry of Health and Human Services

For the Period February 27, 2019, through January 13, 2023

Table of Contents

| Introduction | 1 |
|--|---|
| Background | 2 |
| Objective, Scope, and Methodology | 2 |
| Grant Contract | |
| Side Letter | 4 |
| Project Grant and Expenditures | 5 |
| Handover Ceremony | |
| Findings and Recommendations | 6 |
| Finding No. 1: Agreed-upon Products and Services | 6 |
| Finding No. 2: Submission of Project Completion Report | 7 |
| Conclusion | 8 |
| Appendix 1 | 9 |

REPUBLIC OF PALAU



P. O. Box 850 Koror, Republic of Palau 96940 TEL (680) 488-2889/5687 FAX (680) 488-2194 EMAIL admin@palauopa.org www.palauopa.org

May 8, 2025

Dr. Ngirachisau Mekoll Director, Bureau of Hospital & Clinical Services Belau National Hospital, Ministry of Health and Human Services Koror, Republic of Palau

Dear Dr. Mekoll:

At your request, the Office of the Public Auditor initiated an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP), namely "The Project for Procurement of ICU Vital Signs Monitors for Belau National Hospital."

The Embassy of Japan in the Republic of Palau awarded the sum of \$48,700 to the Belau National Hospital (BNH) for the procurement of ICU Vital Signs Monitors pursuant to a Grant Contract executed between the Embassy of Japan and BNH on February 27, 2019, as shown below:



Signing of the Grant Contract on February 27, 2019 Source: Embassy of Japan in the Republic of Palau Website

The objective of the audit was to determine whether the Belau National Hospital (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 equipment into the Republic of Palau's accounting records.

The Office of the Public Auditor reviewed the administration of the grant funds including 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 offers a financial assistance scheme known as "the Grant Assistance for Grassroots Human Security Projects (GGP)" to help Non-Government Organizations (NGOs) and local government authorities develop projects designed to meet the diverse basic human needs of the people in developing countries.

The Belau National Hospital (BNH) is a public hospital owned by the Republic of Palau, operated by the Ministry of Health and Human Services (MHHS), one of eight major ministries within the Executive Branch of the government of Palau. The Ministry of Health and Human Services receives annual appropriations from the Olbiil Era Kelulau (Palau National Congress) to operate the hospital. The Bureau of Hospital and Clinical Services, under the MHHS, is one of the primary agencies responsible for health care services. The hospital strives to improve the health of the Palau population by enhancing access to quality health services.

By way of Grant Assistance for Grassroots Human Security Project, the BNH entered into a Grant Contract with the Embassy of Japan in the Republic of Palau for the Project for Procurement of ICU Vital Signs Monitors. The Project would enable the BNH to provide residents of Palau with better ICU monitoring of patients in critical care, hence contributing to the improvement of patients' health care. The purpose of the grant was to procure products and/or services below:

| Item | Quantity |
|---------------------------|----------|
| Bedside Monitors | 10 |
| Central Monitors | 2 |
| Installation and Training | 1 |
| Freight | 1 |

Objective, Scope, and Methodology

The objective of the audit was to determine whether the Belau National Hospital (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 equipment into the ROP's accounting records.

The scope of the audit covered the period from February 27, 2019, through January 13, 2023.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the Belau National Hospital 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 (Grantor) 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's bank account, established for the purpose of the project. Withdrawals from the account require prior approval of the Embassy. Consequently, audit procedures will be conducted specifically to ensure compliance with the Grantor's requirements., not the requirements of the ROP laws and regulations concerning procurement and disbursement of funds.

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 Belau National Hospital and the Japan Embassy in the Republic of Palau. These documents included the Grant Contract, GGP procurement policies and procedures, project invoices and related documents, and other relevant documents. In addition, we discussed the project with the Project Administrator, Finance and Budget Manager, and other personnel at the Belau National Hospital. Finally, we conducted site visits to inspect the equipment.

Grant Contract

In accepting the grant from the Embassy of Japan, Belau National Hospital 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, Belau National Hospital also agreed to additional terms and conditions contained in a "Side Letter" of commitment with the Embassy of Japan stipulating the following:

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

- 4. Belau National Hospital will be responsible for maintenance and repair of the items granted.
- 5. Belau National Hospital 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

Belau National Hospital deposited the grant funds and used the funds to purchase bedside monitors, central stations, freight charges, and entry fees as shown below:

Table 1: Grant and Expenditures

| Grant Amount | | | | 48,700.00 |
|-----------------------------|----------|-------------|--------------------|-----------|
| Expenditures | Quantity | Unit Price | Total Price | |
| Patient Monitor UM 300- | 10 | 3,400.00 | 34,000.00 | |
| S Model 300-20-S | | | | |
| Central UNET-S with | 2 | 5,000.00 | 10,000.00 | |
| accessories | | | | |
| Engineers' installation and | | | 2,000.00 | |
| training, including | | | | |
| accommodations | | | | |
| Freight Charges | | | 2,700.00 | 48,700.00 |
| | 1 | Total (USD) | | 0.00 |

Handover Ceremony

On April 30, 2021, the ICU Vital Signs Monitors and Central Stations were turned over to the Belau National Hospital in a formal Handover Ceremony shown on the right:



Handover ceremony on April 30, 2021 Source: Embassy of Japan in the Republic of Palau Website

Findings and Recommendations

Based on our audit, the Office of the Public Auditor found that the Belau National Hospital (BNH) administered the Japan's Grant Assistance for Grassroots Human Security Project (GGP) in compliance with the terms and conditions of the Grant Contract, with the following exceptions (findings) listed below:

Finding No. 1: Agreed-Upon Products and Services

The Grant Contract stipulates that by accepting the grant provided by the Donor, the recipient (BNH) agrees to use the funds to procure ten (10) bedside monitors, two (2) central monitors, inperson installation and training, and freight charges.

We found that the BNH expended the whole grant amount to pay the supplier upfront for the equipment, freight, and installation and training. The breakdown of expenditures is shown below:

| Description | Quantity | Unit Price | Total Price |
|-----------------------------|----------|-------------|-------------|
| Patient Monitor UM 300-S | 10 | 3,400.00 | 34,000.00 |
| Model 300-20-S | | | |
| Central UNET-S with | 2 | 5,000.00 | 10,000.00 |
| accessories | | | |
| Engineers' installation and | | | 2,000.00 |
| training, including | | | |
| accommodations | | | |
| Freight Charges | | | 2,700.00 |
| | | Total (USD) | 48,700.00 |

Following the arrival and receipt of the equipment, because of the closure of Palau's borders, due to COVID-19 restrictions, the supplier was prevented from conducting on-site installation and training; and, instead, the BNH and the supplier agreed and arranged for the installation of the equipment virtually, with the understanding that on-site visit will proceed once COVID-19 restrictions are lifted. However, following virtual installation, the BNH lost contact with the supplier in Ukraine following the outbreak of a war in the country. The loss of contact disabled any efforts to work out arrangements with the supplier for the on-site visit to verify the work on installation of the equipment and conduct training, as originally agreed.

The cause of the above condition is the COVID-19 Pandemic and the outbreak of war in Ukraine, which prevented the supplier from carrying out its obligations under the contract and severed communications with the BNH.

As a result, due to the war, the BNH was denied the on-site visit by the supplier to conduct installation verification of the equipment and training as initially agreed. The BNH did not receive the value of the \$2,000 fee charged by the supplier for the on-site visit due to the outbreak of a war in Ukraine, where the supplier is based.

Recommendation

We offer no recommendation in light of the catastrophic events that were beyond the control of both the Belau National Hospital and the supplier.

Belau National Hospital's Response: We concur with the finding and the details stated. *See Appendix 1, page 9, for the complete response.*

Finding No. 2: Submission of Project Completion Report

The Grant Contract stipulates the following Terms and Conditions:

- BNH to complete the Project within one year of the contract date.
- BNH to provide a Project Completion Report after completion of the Project.
- BNH to consult with the Grantor to extend the project completion date.

We found the Following conditions:

- BNH did not complete the Project within one year of the contract date and therewith the required Project Completion Report.
- BNH did not consult with the Donor to extend the completion date of the Project.

The BNH did not establish a process to communicate and consult with the Donor the devastating events taking place that impeded Project completion.

As a result, the grantee did not comply with the terms and conditions of the Grant Contract.

Recommendation

We recommend that BNH establish policies and procedures for communicating with development partners to ensure that proper and timely communication and consultation occur so as not to jeopardize the working relationship with the donor and critical funding streams.

Belau National Hospital's Response: We concur with the finding and the details stated. We will improve our processes to ensure that in the future we will strengthen our communication with donors regularly with updates and changes and ensure to obtain prior approval before proceeding. See Appendix 1, page 9, for the complete response.

Conclusion

Belau National Hospital was awarded a grant from the Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for the Project for Procurement of ICU Vital Signs Monitors. As Palau's sole public hospital and provider of inpatient care, the vital signs monitoring equipment improves the technology in the area of medical and surgical services to significantly improve the medical treatment services to the people of Palau. Although the Project was successful in accomplishing its purpose, the outbreak of a war in Ukraine, where the supplier is based, significantly hampered the abilities of the BNH and the supplier from executing the project in accordance with the terms and conditions of the Grant Contract.

The Office of the Public Auditor would like to thank the staff and management of the Belau National Hospital and the Embassy of Japan in the Republic of Palau for their professional courtesies and cooperation during this audit.

Sincerely,

Satrunino Tewid

Acting Public Auditor

APPENDIX 1



Ministry of Health & Human Services

P.O. Box 6027 Koror, Republic of Palau 96940 Phone: (680) 488-2552/3 Fax: (680) 488-1211

E-mail: administration@palauhealth.org Website: www.palauhealth.org

April 21, 2025 BHSdw: 02-25

Satrunino Tewid Acting Public Auditor Office of the Public Auditor PO BOX 850 Koror, Palau 96940

Subject:

Audit Findings: Japan's Grant Assistance for Grass-Roots Human Security Project (GGP)

Dear Mr. Tewid,

This is to formally respond to the draft audit report provided to us for the GGP "The project for procurement of ICU Vital Signs Monitors for Belau National Hospital". We concur with the findings and the details stated in the report pertaining to the two findings:

Agreed-upon Products and Services;

2. Submission of Project Completion Report

We will improve our processes to ensure that in the future we will strengthen our communication with donors regularly with updates and any changes and ensure to obtain prior approval before proceeding.

We thank you for the opportunity and understanding of the situation that took place during the implementation of this project.

Sincerely,

Ngirachisau Mekoll

Director

Bureau of Hospital Services

