



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 RENOVATION OF GEORGE B. HARRIS
ELEMENTARY SCHOOL BUILDINGS"**



**MINISTRY OF EDUCATION
REPUBLIC OF PALAU**

Period from March 17, 2023 thru March 05, 2024

Performed by the Office of the Public Auditor

JP*MOE*GBH-24-02P*opa00



REPUBLIC OF PALAU

Office of the Public Auditor

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February 13, 2025

Serial#: opa25-029au

Mr. Raynold Mechol
Director
Bureau of School Operations
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 Renovation of Goerge B. Harris Elementary School Buildings"


Dear Mr. Mechol:

This report presents the result of our audit of Japan's Grant Assistance for "The Project for Renovation of George B. Harris Elementary School Buildings".

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
Acting Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots
Human Security Project:
"The Project for Renovation of George B. Harris Elementary
School Buildings"**

**Ministry of Education
Republic of Palau**

For the Period March 17, 2023, to March 05, 2024

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February 13, 2025

Mr. Raynold Mechol
Director of School Operations
Ministry of Education
Koror, Republic of Palau

Dear Director Mechol:

At your request, on behalf of George B. Harris Elementary School, the Office of the Public Auditor initiated an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for the "Project for the Renovation of George B. Harris Elementary School Buildings".

The Embassy of Japan in the Republic of Palau awarded the sum of \$226,013.00 to George B. Harris Elementary School (GBH) for the renovation of school buildings pursuant to a Grant Contract executed between the Embassy of Japan and GBH on March 17, 2023, as shown below:



*Signing of the Grant Contract on March 17, 2023
Source: Embassy of Japan Website*

The objective of the audit is to determine whether George B. Harris Elementary School 1) Administered the grant in compliance with the terms and conditions of the Grant Contract, 2) adhered to the GGP Procurement Guidelines in the execution of the project's procurement, and 3) properly recorded the fixed assets (improved buildings) into the Republic of Palau's accounting records.

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

Background

George B. Harris Elementary School (GBH)) is the second largest public elementary school in Palau, which was established in 1964. During school year 2024, the school had an enrollment of 242 students, with the majority of them residing in the eastern hamlets of Koror State. The classroom buildings and support structures used by 31 teachers and administrators had undergone minor renovations and general maintenance; however, the age of the structures and rate of deterioration far surpassed all efforts of restoration. Because the cost of major renovations was beyond the school's funding and the education and safety of students, teachers, and administrators was a paramount concern, on June 24, 2022, GBH applied for the Government of Japan's GGP Grant and was awarded the sum of \$226,013.00. The grant was awarded for the purpose shown below:

Item	Quantity
Renovation Work	1
Official Development Assistance Plaque	1

Objective, Scope, and Methodology

The objective of the audit was to determine whether George B. Harris Elementary School 1) Administered the grant in compliance with the terms and conditions of the Grant Contract, 2) adhered to the GGP Procurement Guidelines in the execution of the project's procurement, and 3) properly recorded the fixed assets (renovated buildings) into the Republic of Palau's accounting records.

The scope of the audit covered the period from March 17, 2023 through March 05, 2024, and other period(s) as necessary.

The Government of Japan's Grant Assistance for Grassroots Human Security Project imposes and requires recipients to follow the GGP procurement policies. Consequently, we did not conduct assessments to determine compliance with the Republic of Palau Procurement Law and Regulations. In addition, as the grant funds are required to be deposited into a separate bank account and controlled by the Japan Embassy, we did not assess compliance with National Treasury laws and regulations.

We 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.

Furthermore, 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 expenditure 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 objectives, we reviewed records and documents maintained at the Ministry of Education, Division of Capital Improvement Project (Bureau of Public Works), and Ministry of Finance (Bureau of National Treasury). The records and documents included, but not limited, to the Grant Contract, Side Letter, GGP Procurement Guidelines, and Construction Agreement. In addition, we conducted interviews of relevant officials associated with the project and on-site visits of the facilities to inspect the completed project.

Grant Contract

In accepting the GGP grant from the Embassy of Japan, George B. Harris Elementary School agreed to the following terms and conditions in 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. That products/or services purchased under the grant shall not be used for military purposes;
- E. To provide donor with the following reports on the progress of the Project:
 - 1. One (1) interim report to be provided within six months after the contract date
 - 2. One (1) project completion report (including an audit report on the grant issued by an independent accountant/accounting body) to be provided upon the completion of the Project (The above reports should outline achieved results in the light of the original goals and objectives as stated in the application proposal for the Project. The reports should include a clear accounting report of the allocation and disbursement of the grant.)
 - 3. Any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions.
- F. To complete the Project within one year after the contract date;

- G. 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;
- H. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;
- I. 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;
- J. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
- K. 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
- L. 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, George B. Harris Elementary School also agreed to additional terms contained in a "Side Letter" of commitment with the Embassy of Japan stipulating the following:

- 1. George B. Harris Elementary School will open an account with the Bank of Hawaii exclusively for the purpose of the aforementioned project.
- 2. George B. Harris Elementary School will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
- 3. George B. Harris 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. George B. Harris Elementary School will be responsible for submitting an audit report on the grant issued by the Office of the Public Auditor to be provided upon the completion of the project.

5. George B. Harris Elementary School will inform and consult the Embassy of Japan if any problems including loss and damage occur with the equipment and the building within 2 years after the completion of the project as part of follow-up.
6. George B. Harris Elementary School will assign the staff who will be in charge of the school building for cleaning and maintenance.
7. George B. Harris Elementary School will be responsible for the regular inspection/maintenance and the fee of the School Building and keep the maintenance log.

Project Expenditures

On behalf of George B. Harris Elementary School (recipient), the Director of the Bureau of Public Works (contracting officer for the ROP) entered into a construction contract with HBO Construction for the project. As stipulated in the contract, the Contractor shall request progress payments based on the percentage of work completed during the period covered by the request. Total project cost of \$226,028.00 exceed the grant award of \$226,013.00 by \$15.00; therefore, the recipient covered the \$15.00 cost overrun. The Table below shows disbursements by the Republic of Palau National Treasury based on the Contracting Officer's approval of the Contractor's applications for progress payments, and the cost overrun:

Payment No.	File No.	File Date	Check Amount	Amount of Grant Award	Balance of Grant Awarded (-)
				\$ 226,013.00	
1 st Payment	123040	09/20/2023	\$89,001.00		
2 nd Payment	126893	11/20/2023	\$42,138.00		
3 rd Payment	130912	01/26/2024	\$61,776.00		
4 th Payment (final)	136435	02/28/2024	\$33,113.00		
Total Expenditure			\$226,028.00		(\$15.00)

As the National Treasury used local funds to expedite the payment process, George B. Harris Elementary School upon project completion, requested, and with approval of the Embassy of Japan transferred the \$226,013.00 from the BOH bank account to the National Treasury as reimbursement for the cost of the project.

Following the completion of the project, the renovated school buildings were turned over to school officials in a formal handover ceremony on March 05, 2024, as shown below:



*Handover Ceremony on March 05, 2024
Source: Embassy of Japan Website*

Finding of Compliance

Based on our audit, the Office of the Public Auditor found that George B. Harris Elementary School (GBH) administered the GGP grant for “The Project for Renovation of George B. Harris Elementary School Buildings” in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, George B. Harris school administrators worked with the Bureau of National Treasury to ensure that the cost of renovation and related documents were turned over to National Treasury for recording the improvements of the facilities to the Republic of Palau’s accounting records. Therefore, there are no findings in this report.

Ministry of Education response:

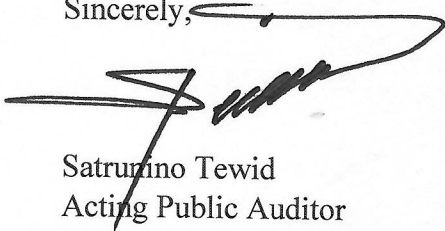
After a thorough review, the Ministry of Education along with George B. Harris Elementary School concur with the audit finding.

Conclusion

The Japan Embassy in the Republic of Palau, through the Grant Assistance for Grass-Roots Human Security Projects (GGP), awarded the sum of \$226,013.00 GGP grant to George B. Harris Elementary School for the renovation of the school's buildings and support facilities. The renovation project improved the buildings and extended their service life, ensuring a safe and elegant learning environment for the students, teachers, and school administrators. The refurbished facilities provide an environment where students are eager to learn, teachers are motivated to teach, and administrators are encouraged to support and upkeep the facilities that they can be proud of calling their school. The improved facilities will provide a safe and clean learning environment for the 242 students today and many more in the future.

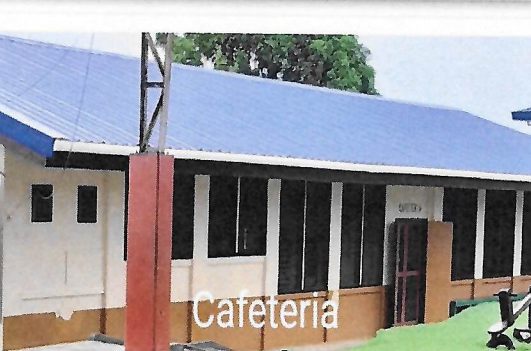
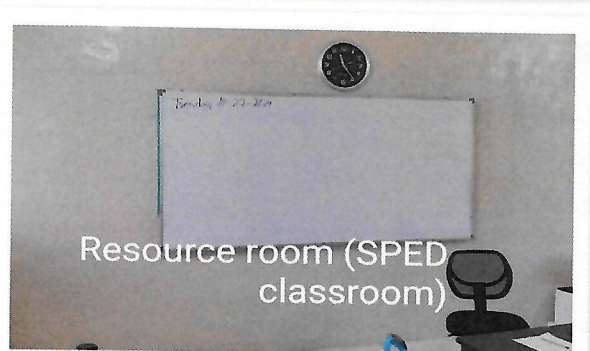
The Office of the Public Auditor would like to thank the staff and management of George B. Harris Elementary School, Ministry of Education, and the Embassy of Japan in the Republic of Palau for the professional courtesy and cooperation extended to us during the audit.

Sincerely,

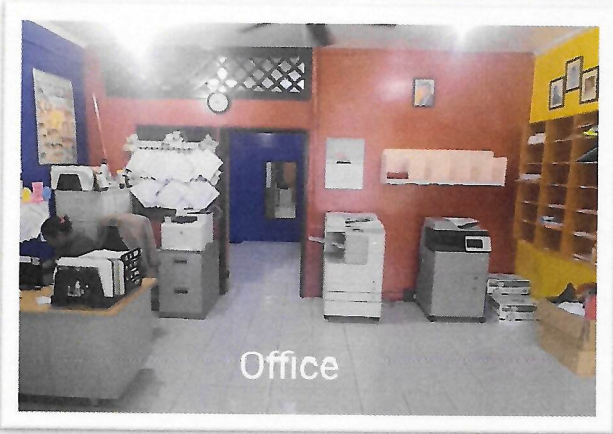
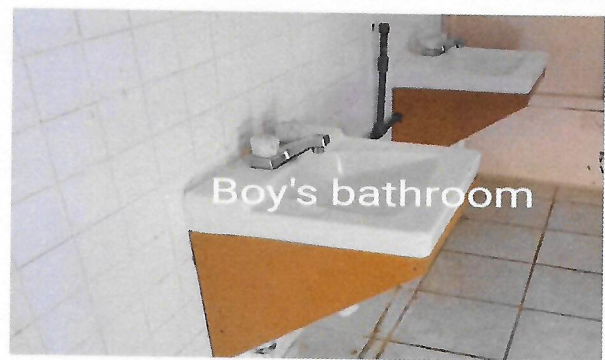
A handwritten signature in black ink, appearing to read 'Saturnino Tewid', with a long horizontal line extending to the left and a large loop to the right.

Saturnino Tewid
Acting Public Auditor

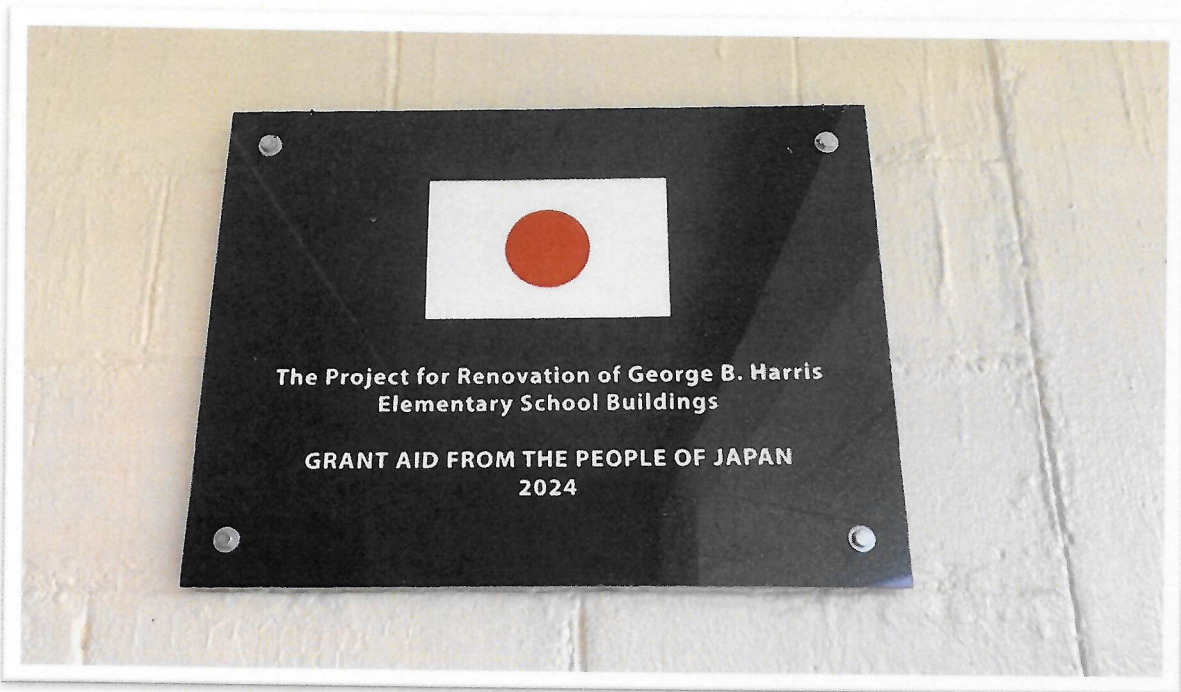
Appendix A: School building/facilities exterior renovations



Appendix B: School buildings/facilities interior renovations



Appendix C: Official Development Assistance (ODA) plaque



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

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