



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

PERFORMANCE AUDIT REPORT

ON

Japan's Grant Assistance for Grass-Roots Human Security Project

FOR THE

ACQUISITION OF WASTE MANAGEMENT VEHICLES FOR

KOROR STATE GOVERNMENT



**KOROR STATE GOVERNMENT
REPUBLIC OF PALAU**

Period from March 25, 2011 thru March 24, 2012

Performed by the Office of the Public Auditor

JPKSG-11-12P*05*00

REPUBLIC OF PALAU



Office of the Public Auditor

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December 17, 2015
Serial#: opa16-041au

Honorable Yositaka Adachi
Governor
Koror State Government
Office of the Governor
Koror, Republic of Palau

Subject: Final Report on the Audit of Japan's Grant Assistance for Grass-Roots Human Security Project for the Acquisition of Waste Management Vehicles for Koror State Government

Dear Governor Adachi:

This report presents the result of our audit of Japan's Grant Assistance to Koror State Government for the Acquisition of Waste Management Vehicles.

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,

A handwritten signature in black ink, appearing to read "Satrunino Tewid".

Satrunino Tewid
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots Human Security
Project for the Acquisition of Waste Management Vehicles for
Koror State Government**

**Koror State Government
Republic of Palau**

For the Period March 25, 2011 to March 24, 2012

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Office of the Public Auditor

December 17, 2015

Honorable Yositaka Adachi
Governor, Koror State Government
Office of the Governor
Koror, Republic of Palau

Subject: Final Audit Report on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the Acquisition of Waste Management Vehicles for Koror State Government for the Period March 25, 2011 to March 24, 2012

Dear Governor Adachi:

This audit report presents the result of our audit on Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the Acquisition of Waste Management Vehicles for Koror State Government (KSG or Recipient). The audit covered the Grant Contract period from March 25, 2011 to March 24, 2012.

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 Koror State Government applied for and was approved financial assistance for a Project for the Acquisition of Waste Management Vehicles. In accordance with the grant requirements, the KSG entered into a Grant Contract with the Embassy of Japan in the Republic of Palau. The Grant Contract was signed on March 25, 2011 by Governor Yositaka Adachi, Koror State, and Ambassador Yoshiyuki Sadaoka of the Embassy of Japan in the Republic of Palau. The Project was to be completed within one year after the contract date.

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,
- D. To provide the Donor with one project completion report upon completion of the Project,
- 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
 - To return the grant to donor
- 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,
- 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 Koror State administered the project in compliance with (1) the terms and conditions of the Grant Contract and (2) the GGP procurement guidelines.

The audit covered the Grant Contract period from March 25, 2011 to March 24, 2012. 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 Koror State's compliance with the Republic of Palau's Procurement Law and Regulations as Japan imposed the use of GGP procurement Guidelines.

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 Koror State Government 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.

The Office of the Public Auditor audited the administration of the project in respect to the procurement procedures, receipt and disbursement of funds, reporting mechanisms, and other related requirements pursuant to the Grant Contract and GGP procurement guidelines.

Procurement of Waste Management Vehicles

Koror State Government through the Embassy of Palau in Japan initiated discussions and arrangements to acquire waste management vehicles through the Society for the Promotion of Japanese Diplomacy (SPJD), a non-profit organization registered to the Ministry of Foreign Affairs of Japan. SPJD receives second-hand special-purpose vehicles and other equipment from cooperating authorities in Japan and donates them to participating countries upon application. Subsequently, Koror State and SPJD entered into a partnership agreement for the donation of waste management vehicles. Koror State applied for Japan's GGP grant and was approved \$53,180 in funding for the acquisition of waste management vehicles, which the State paid to SPJD. SPJD used the funds, \$53,180, to recondition the second-hand vehicles, pay other incidental expenses, including shipping, and shipped the vehicles to Palau. The vehicles included the following:

- Nissan Diesel Compactor Truck
- Mitsubishi Compactor Truck
- Isuzu Recycling Truck
- Isuzu Recycling Truck

On November 24, 2015, the Office of the Public Auditor conducted on-site inspections of the waste management vehicles and took the pictures shown below:



Mitsubishi Compactor Truck



Nissan Diesel Compactor Truck



Isuzu Recycling Truck



Isuzu Recycling Truck



According to officials at the Koror State Solid Waste Management Office, the vehicles have been in operation and continue to collect waste materials in Koror in support of the recycling program. The only setback is the Compactor Truck, which is grounded due to mechanical failure and is currently at the Koror State Department of Public Works undergoing repairs.

Conclusion

Based on our audit, we found that Koror State administered the GGP Project for the Acquisition of Waste Management Vehicles in compliance with the Grant Contract and the GGP procurement guidelines. In addition, our review of the project documentation revealed that Koror State used the grant to procure the waste management vehicles 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 thank the staff and management of Koror State Government and Koror State Solid Waste Management Office for the professional courtesy and cooperation extended to us during the audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', written over a horizontal line.

Satrunino Tewid
Public Auditor

Koror State Government's Response:

I am in receipt of the Draft Audit Report on Japan's Grant Assistance for Grassroots Human Security Project for the Acquisition of Waste Management Vehicles, and I concur with the findings.

I would like to take this opportunity and thank you and your office for assisting us with this request on such a short notice. I am very pleased to see that there were no findings.

Again, thank you very much for your assistance.



**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)