



**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**

**NGARDMAU STATE GOVERNMENT**



**NGARDMAU STATE GOVERNMENT**  
**REPUBLIC OF PALAU**

**Period from March 25, 2011 thru March 24, 2012**

*Performed by the Office of the Public Auditor*

**JPNGMAU-11&12\*06P\*00**

REPUBLIC OF PALAU



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December 29, 2015

*Serial#: opa16-046au*

Honorable Masahiro V. Renguul  
Governor  
Ngardmau 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 Ngardmau State Government**

Dear Governor Renguul:

This report presents the result of our audit of Japan's Grant Assistance to Ngardmau 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 "Satruning Tewid".

Satruning Tewid  
Public Auditor, ROP

December 29, 2015

Honorable Masahiro V. Renguul  
Governor, Ngardmau 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 Ngardmau State Government for the period March 25, 2011 to March 24, 2012**

Dear Governor Renguul:

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 Ngardmau State Government (NSG 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 development needs in a prompt and complete manner.

Consistent with the GGP guidelines, Ngardmau State Government (NSG) applied for and was approved financial assistance for the project for the acquisition of waste management vehicles in amount of \$46,342. In accordance with the GGP requirements, Ngardmau State Government entered into a Grant Contract with the Embassy of Japan in Palau. On March 25, 2011, the Grant Contract was signed by Governor Akiko Sugiyama of Ngardmau 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.

**Under the Terms and Conditions of the Grant Contract, Ngardmau State Government agreed to:**

- A. Provide the donor with an official receipt for the grant received;
- B. Provide the donor with documents relevant to the Project such as procurement contracts for products and/or services upon request by donor;
- C. Use the grant properly and exclusively for the purchase of the products and/or services necessary for the execution of the Project and not to use such products and/or services purchased with the grant for purposes other than the execution of the Project;
- D. Provide the donor with 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.)
- E. Complete the Project within one year after the contract date;
- F. Consult with and receive instructions from the donor in case the recipient wishes;
  - a. To change how the grant is spent from the original plan in the application
  - b. To change the contents of the Project
  - c. To suspend and/or terminate execution of the Project
  - d. To extend the completion date of the Project
  - e. To return the grant to the donor
- G. Keep accounting documents that verify how the grant was spent for at least one year after the completion of the Project;
- H. 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 the donor will not be responsible for anything that happens during the execution of the Project;
- I. Consult with the donor on any matter arising in connection with this contract;
- J. 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 is to determine whether Ngardmau State Government administered the grant funds in compliance with (1) the terms and condition of the Grant Contract and (2) the GGP procurement guidelines.

The audit covered the Grant Contract period from March 25, 2011 through March 24, 2012. The audit, however, will cover other periods as necessary if the Project and associated funding is not completed or expended respectively within the one (1) year period.

As this is a performance audit, the Office of the Public Auditor did not conduct audit procedures to assess the fairness of the financial statements of Ngardmau State Government or any

components or accounts within those financial statements and therefore, expresses no opinion on the financial statements. In addition, we did not conduct audit procedures to determine Ngardmau State's compliance with the Republic of Palau's Procurement Law and regulations as the Japan Embassy imposed the use of GGP Procurement Guidelines.

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 does provide 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

Ngardmau State Government through the Embassy of Palau in Japan initiated discussions and arrangements to acquire waste management vehicles through the Society for 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. Based on Ngardmau State's application, the SPJD entered into a Partnership Agreement with Ngardmau State for the donation of waste management vehicles. To finance the Project, Ngardmau state applied for and was approved GGP funding by the Embassy of Japan in Palau in amount of \$46,342. In accordance with the Partnership Agreement, Ngardmau State paid the \$46,342 to SPJD, which SPJD used to recondition the second-hand waste management vehicles, pay other incidental expenses, including shipping, and shipped the vehicles to Palau. The Table below shows the vehicles that arrived in Palau on July 11, 2011:

	<b>ID</b>	<b>Type</b>	<b>Model</b>	<b>Model Type</b>	<b>Chassis No.</b>	<b>Year</b>	<b>Fuel</b>
1	WP08054	<b>Compactor Truck</b> (Garbage Truck)	Nissan	KC-AKR66EP	AKR66E775075 4	1998	Diesel
2	TO06055	<b>Recycling Truck</b> (Tail-gate Lifter)	Mitsubishi	KC-FE517BN	FE517BN52162 8	1996	Diesel
3	D07027	<b>Collection Truck</b> (Flat-Bed)	Mazda	KC-WGEAD	WGEAD103478	1996	Diesel



On November 17, 2015, we conducted on-site inspections and took pictures shown below to verify the existence and conditions of the vehicles:

### Compactor "Garbage" Truck



### Recycling Truck (tail-gate lifter)







**Collection Truck (flat-bed)**



We found that one (1) of the vehicles, the Compactor “Garbage” Truck, has been grounded due to mechanical problems and is being serviced and repaired at Koror State Government’s Department of Public Works. The other two vehicles, the Recycling Truck (tail-gate lifter) and the Collection Truck (flat-bed), are in working condition and are being used and operated in

Ngardmau State. According to the Governor and the Supervisor of the Public Works Department, Ngardmau State, both trucks are in good working condition but desperately need new tires due to regular wear and tear and the fact that the peculiar tires suitable for these vehicles are not available in Palau.

We found that Ngardmau State Government (NSG) complied, to the most part, with the terms and conditions of the Grant Contract. However, we found areas where improvements could be made to further improve and strengthen the administration of the GGP grant as detailed in the Findings and Recommendations section below:

## **Findings and Recommendations:**

### **Finding No. 1: Lack of Proper Accounting Documentation**

Section G of the Grant Contract states: “to keep accounting documents that verify how the grant was spent for at least one year after the completion of the Project.” Safekeeping of the Project’s accounting documents, such as invoices/receipts, is important to comply with the terms and conditions of the Grant Contract and to show how the funds were used and expended.

We found that NSG did not have any supporting documents to verify how the grant funds were used. The NSG wire transferred the \$46,342 to SPJD to be used for reconditioning the vehicles and pay other incidental expenses, i.e., shipping. However; the State failed to obtain the supporting documents (invoices/receipts) from the SPJD to support these costs/expenses.

It appears the cause of the above condition is lack of familiarity with the Grant Contract requirements.

### **Recommendation**

We recommend that Ngardmau State Government obtain the supporting documents (invoices, receipts and related documents) to substantiate how the grant funds were used and expended. Furthermore, since the vehicles were donated, the State would need the supporting documents to estimate the costs of the vehicles for recording purposes.

### **Finding No. 2: Partnership Agreement between NSG and SPJD**

A partnership agreement operates similar to a contract and requires the parties to the agreement to adhere to the terms and conditions of the agreement. In addition, to foster a good reputation and trusting working relationship with Donors, the Ngardmau State needs to adhere to the terms and conditions of Partnership Agreements to support future collaboration on projects.

Ngardmau State entered into a Partnership Agreement with SPJD on a Project for the acquisition of waste management vehicles for Ngardmau State, which both parties agreed, to abide to their



respective obligations in the Agreement. Section 2c of the Agreement stipulates that Ngardmau State agrees to issue a Letter of Acknowledgement upon receiving the vehicles from the SPJD and to include several photographs of the vehicles in operation.

We found no evidence in Ngardmau State's Project file to show that the Acknowledgement Letter and photographs of the vehicles were provided to the SPJD, despite a follow-up letter from SPJDs' General Director reminding the State to provide the information.

It appears that Ngardmau State did not abide to its obligations in the Partnership Agreement

### **Recommendation**

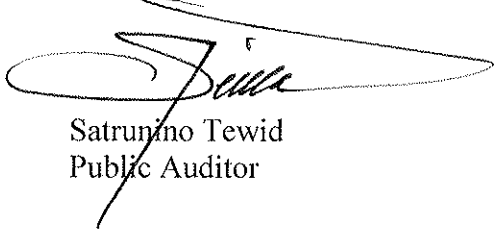
We recommend that the Ngardmau State provide the Acknowledgement Letter and photographs of the vehicles to the SPJD to satisfy its obligation in the Partnership Agreement. In addition, the State should review the Partnership Agreement and take action to fulfill all of its obligations in the Agreement. Finally, building a good reputation and establishing a trusting working relationship with donors is critical to support future participation and collaboration on projects.

### **Conclusion**

Through the Grassroots Human Security Project (GGP), the Japan Embassy in the Republic of Palau awarded Ngardmau State Government a grant in the sum of \$46,342.00 towards the project for acquisition of waste management vehicles. Ngardmau State via the Palau Embassy in Japan entered into a Partnership Agreement with the Society for the Promotion of Japanese Diplomacy (SPJD) for the donation of waste management vehicles, with funding from the GGP to recondition the second-hand vehicles, pay other incidental expenses including shipping. Ngardmau State needs to comply with the terms and conditions of the Grant Contract and its obligations under the Partnership Agreement in order to establish its reputation and trusting working relationship with donors to secure its participation and collaboration in future projects.

Finally, the Office of the Public Auditor would like to thank the staff and management of Ngardmau State Government for the professional courtesy and cooperation extended to us during the audit.

Sincerely,



Saturnino Tewid  
Public Auditor

***Ngardmau State Government's Response:***

*This is to acknowledge receipt of your audit report regarding Ngardmau State Government's involvement with a waste management vehicles grant from the Government of Japan.*

*Please find enclosed two letters this year between my office and Ms. Ayumi Yasuda, the Grant Coordinator for GGP attached to the Japan Embassy here in Palau. Both letters attempted to resolve this issue in compliance with the conditions of the generous grant assistance from the people of Japan.*

*Presently, all the vehicles have been repaired and are currently in use, performing essential functions for Ngardmau State Government's waste management program. I have included photos of the vehicles in operation. I have also cc'd a copy of this letter to Ms. Yasuda for her information.*

*Thank you and please don't hesitate to contact me should you have further inquiries.*



**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)**