



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 THE PROCUREMENT OF SCHOOL
BUS FOR AIMELIIK ELEMENTARY SCHOOL"**



MINISTRY OF EDUCATION
REPUBLIC OF PALAU

Period from February 10, 2017 thru February 09, 2018

Performed by the Office of the Public Auditor

JPMOE-18- P04*opa00

REPUBLIC OF PALAU



Office of the Public Auditor

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October 3, 2018
Serial#: opa19-002au

Honorable Sinton Soalablai
Minister
Ministry of Education
Office of the Minister
Koror, Republic of Palau

Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for the Procurement of School Bus for Aimeliik Elementary School"

Dear Minister Soalablai:

This report presents the result of our audit of Japan's Grant Assistance for the Project for the Procurement of School Bus for Aimeliik Elementary School.

The Office of the Public Auditor (OPA) received your response to the Draft Audit Report. The response is published 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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Satrunino Tewid
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots
Human Security Project for
"The Project for the Procurement of School
Bus for Aimeliik Elementary School"**

**Ministry of Education
Republic of Palau**

For the Period February 10, 2017 thru February 09, 2018

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October 3, 2018

Honorable Sinton Soalablai
Minister
Ministry of Education
Koror, Republic of Palau

Dear Minister Soalablai:

On September 12, 2017, the Office of the Public Auditor received your letter requesting an audit of Government of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP Grant) awarded to Aimeliik Elementary School, Ministry of Education. The Grant was used to procure one (1) 30-seater school bus plus accessories at a cost of \$107,245. The Grant Contract between the Embassy of Japan in the Republic of Palau and Aimeliik Elementary School was executed on February 10, 2017.

The Objective of the audit was to determine whether Aimeliik Elementary School: (1) Administered the grant in compliance with the terms and conditions of the Grant Contract, (2) complied with the grant's GGP procurement guidelines, and (3) had established internal controls to ensure the proper safeguarding of its fixed assets and that transactions were properly recorded.

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

Background

One of the core functions of the Ministry of Education (MOE) is to provide adequate and equitable education for all children ages 6-17 through a public school system. To do so, a reliable system of transportation is critical to ensure that students can get to and from school safely, and on time. To this end, the MOE worked alongside Aimeliik Elementary School to secure a grant from Japan's GGP project for the procurement of one (1) 30-seater school bus for the School. The main purpose of the grant assistance was to procure a school bus to support the Aimeliik Elementary School's capacity to provide transportation service for its students. On February 20, 2017, the Aimeliik Elementary School in collaboration with the MOE and the Japan Embassy procured one (1) 30-seater school bus at a cost of U.S. \$107,245.

Objective Scope and Methodology

The Objective of the audit was to determine whether Aimeliik 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) had established internal controls to ensure the proper safeguarding of its fixed assets and that transaction were properly recorded.

The scope of the audit covered the period beginning February 10, 2017 through February 09, 2018 to coincide with the term of the Grant Contract.

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

Further, the audit did not cover compliance with national treasury laws of the Republic of Palau as the grantor imposed requirement that the grant funds be deposited into a bank account separate from and independent of the ROP National Treasury, and which funds were administered and controlled by the Grantor. Similarly, the audit did not cover the applicability of the Republic of Palau Procurement Law and Regulations as the grantor imposed the use of the 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*. 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 audit objective, the OPA reviewed project expenditures and related documentation maintained at the Ministry of Education. The OPA also conducted site visits to inspect the bus and related accessories. The OPA also collaborated with the Embassy of Japan in the Republic of Palau to obtain other needed documents as necessary. Further, the OPA met with the Ministry of Education's staffs responsible for the project to discuss the details of the project and other related issues.

Grant Contract

In accepting the grant from the Embassy of Japan, the Aimeliik 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 this 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 Donor with 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 above 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.)
 - (2) Any other reports on the project to be provided upon request of the Donor, in accordance with the Donor's instruction;
- E. to complete the project within one year after the contract date;
- F. to consult with and receive instruction 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 content 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 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, the Aimeliik Elementary School also agreed to additional terms in a “Side Letter” of Commitments from the Embassy of Japan stipulating the following:

1. Aimeliik Elementary School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Aimeliik Elementary School will not withdraw any amount from the said account without written prior consent from the Embassy of Japan.
3. Aimeliik 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. Aimeliik Elementary School will be responsible for the fuel expenses, and regular inspection of the item granted and the fee for any maintenance shall be covered by the Ministry of Education.
5. Aimeliik Elementary School will be responsible for submitting an audit report on the grant issued by the Public Auditor to be provided upon the completion of the Project.

Project Expenditures

Aimeliik Elementary School used the grant to purchase a school bus and accessories. Table 1 below shows the costs of one (1) 30-seater school bus and related accessories:

Table 1:

Item/Quantity	Price (\$US)	Description
Total Japan GGP Grant	\$107,245.00	The fund was deposited into BOH C/A No. 0032-632580 on February 16, 2017
1 Each School Bus	\$ 99,395.00	Nissan Civilian Micro Bus 30 Seater w/Emergency Hammer & Sticker Model: W41 Civilian Code: UGNHLDFW41ECB-AFB Engine: TB45 Gasoline Engine 4,500 CC 5MT/Left Handle/30Seat DX Grade Seat Belt for Jump Seat, Fire Extinguisher
1 Each 99999574029	550.00	Generic Item for Automotive Bus Sticker & Logo
1 Each 99999574029	5,500.00	Generic Item for Automotive Painting Yellow
6 Each 99999574029	300.00	Generic Item for Automotive Tire, 7.50R16LT
Total	\$ 107,245.00	
Balance	\$.00	



Side view of Aimeliik School Bus



Front view of Aimeliik School Bus

The school bus for Aimeliik Elementary School arrived in Koror in mid July 2017 followed by a turnover ceremony on August 03, 2017. The bus has been turned over to Aimeliik Elementary School and is now being used to transport Aimeliik Elementary School students to and from school, including other school activities outside of the school campus.

Finding of Compliance

Based on our audit, the Office of the Public Auditor found that the Aimeliik Elementary School in collaboration with the Ministry of Education administered the GGP grant in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, the Ministry of Education maintained proper controls over the school bus and all records pertaining to the procurement of the school bus. Therefore, there are no findings to this audit report.

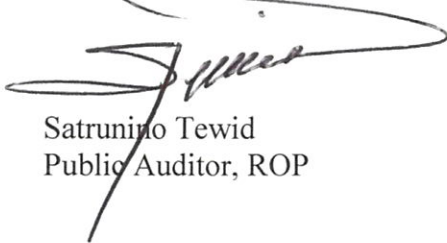
Conclusion

The Aimellik Elementary School obtained a grant from the Government of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the purpose of procuring a school bus to alleviate the problem of transporting students to and from school. The Ministry of Education assisted the school in applying for and administering the grant and procuring the bus. Today, Aimeliik Elementary School has the capacity to provide reliable transportation service for its students to and from school and to support other school-related activities outside of the school campus. Hence, the Aimellik Elementary School by collaborating with the Ministry of Education in partnership with the Japan Embassy resulted in the improvement of transportation service not only for Aimeliik Elementary School but also the public school system as a whole. Approximately forty-six (46) students of Aimeliik Elementary School benefit from this project, as well as parents and community members who participate in related school activities, today and into the near future.

Office of the Public Auditor

The Office of the Public Auditor would like thank the staff and management of the Ministry of Education, Aimeliik Elementary School and the Embassy of Japan for their professional courtesy and cooperation extended to us during the audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', with a large, sweeping flourish extending to the right.

Satrunino Tewid
Public Auditor, ROP

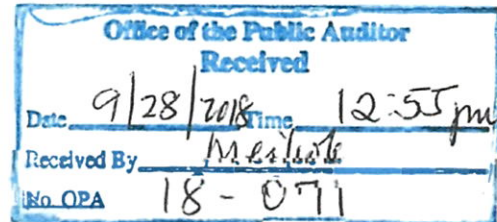


REPUBLIC OF PALAU
MINISTRY OF EDUCATION

OFFICE OF THE MINISTER

25 September 2018

Mr. Saturnino Tewid
Public Auditor, ROP
Office of the Public Auditor
Koror, Republic of Palau 96940



RE: Transmittal of response to DRAFT audit report on Japan's Grant Assistance for Grass-roots Human Security Projects for "The Project Procurement of School Bus for Aimeliik Elementary School" and "The Project Procurement of School Bus for Airai Elementary School"

Dear Auditor Tewid:

This is acknowledge receipt of the the DRAFT audit reports on Japan's Gran Assistance for Grass-roots Human Security Projects to procure buses for Aimeliik Elementary School and Airai Elementary School.

We have reviewed both reports. We concur with both reports as they are.

Thank you for the work that you do and for your part in educating our children.

Sincerely,


Sinton Soalablai

cc: MOE Management Team
Principal, Aimeliik Elementary School
Principal, Airai Elementary School



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

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