



**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 AIRAI 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- P05\*opa00**

REPUBLIC OF PALAU



Office of the Public Auditor

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October 3, 2018

*Serial#: opa19-003au*

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 Airai 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 Airai 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".

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 Airai 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) awarded to Airai Elementary School in amount of \$107,245. The grant was used to procure one (1) 30-seater school bus plus accessories at a cost of \$107,245. The grant was formalized in a Grant Contract between the Embassy of Japan in the Republic of Palau and Airai Elementary School on February 10, 2017.

The Objective of the audit was to determine whether Airai 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 facilitate this function, a reliable system of transportation is critical to ensure that students can get to and from school safely, and on time. To that end, the MOE worked in conjunction with Airai Elementary School to secure funding from Japan's GGP development project to procure a school bus to help alleviate transportation problems for the school. The MOE and Airai Elementary School worked with the Embassy of Japan to procure the bus and related accessories.

## Objective Scope and Methodology

The Objective of the audit is to determine whether Airai 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 Airai 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 (ROP) as the grantor imposed a requirement that the 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. We 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 staff 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, Airai 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 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 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, Airai Elementary School also agreed to additional terms in a “Side Letter” of Commitment from the Embassy of Japan stipulating the following:

1. Airai Elementary School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Airai Elementary School will not withdraw any amount from the said account without written prior consent from the Embassy of Japan.
3. Airai 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. Airai 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. Airai 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**

Airai Elementary School purchased one (1) 30-seater school bus and related accessories. Table 1 below shows the costs of one (1) 30-seater school bus and accessories:

**Table 1: Cost of School Bus**

Item/Quantity	Price (\$US)	Description
<b>Total Japan Grass-roots Grant</b>	<b>\$107,245.00</b>	The fund was deposited into BOH C/A No. 0032-889530 on February 16, 2017
1 Each 20170615001	\$ 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	550.00	Generic Item for Automotive Bus Sticker & Logo
1 Each 99999574029                      5,500.00	5,500.00	Generic Item for Automotive Painting Yellow
6 Each 99999574029                      300.00	1,800.00	Generic Item for Automotive Tire, 7.50R16LT
<b>Total</b>	<b><u>\$ 107,245.00</u></b>	
<b>Balance</b>	<b>\$                      .00</b>	



**Office of the Public Auditor**

The school bus for Airai Elementary School arrived in Koror in mid July 2017 followed by a turnover ceremony on August 03, 2017. The bus is now operating transporting Airai Elementary School students to and from school, including other school activities outside of the school campus.



Side view of Airai Elementary School Bus



Front view of Airai Elementary School Bus

**Finding of Compliance**

Based on our audit, the Office of the Public Auditor found that the Airai Elementary School in collaboration with the Ministry of Education administered Japan’s Grant Assistance for Grass-Roots Human Security Project (GGP) 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 in this audit report.

**Conclusion**

Airai 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 Airai Elementary School collaborated with the Ministry of Education in administering the grant and procurement of the bus. Today, the school has its own bus to transport students to and from school safely and on time, without having to rely on the MOE to provide this service, relieving the MOE of this responsibility and allowing it to shift its attention to other schools that need transportation service. Further, the bus will enable the school to effectively plan and carry out extra-curricular activities (e.g., field trips) for students outside the school campus. Hence, the collaboration between Airai Elementary School and the Ministry of Education in partnership with the Embassy of Japan through the GGP Project demonstrates the successful partnership to support the education and learning opportunities for the students of Airai Elementary School. Approximately 128 students of Airai Elementary School benefit from this project, not to mention parents and other community members who participate in school activities.



**Office of the Public Auditor**

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', written over a horizontal line. The signature is stylized and somewhat cursive.

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

Office of the Public Auditor	
Received	
Date	9/28/2018 Time 12:55 pm
Received By	M. Soalablai
No. OPA	18-071

**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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MONDAY THRU FRIDAY  
7:30 a.m. - 4:30 p.m.

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