



**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 IMPROVING WATER  
QUALITY IN PALAU”**



Environmental Quality Protection Board  
REPUBLIC OF PALAU

Period from November 22, 2017 thru November 21, 2018

*Performed by the Office of the Public Auditor*

JPEOPB-18-P06\*ona00

REPUBLIC OF PALAU



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December 27, 2018  
*Serial#: opa19-029au*

Ms. Roxanne Y. Blesam  
Executive Officer  
Environmental Quality Protection Board  
Koror, Republic of Palau

**Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Improving Water Quality in Palau"**

Dear Executive Officer Blesam:

This report presents the result of our audit of Japan's Grant Assistance for the Project for Improving Water Quality in Palau.

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,

Satrunino Tewid  
Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots  
Human Security Project for  
"The Project for Improving Water  
Quality in Palau"**

**Environmental Quality Protection Board  
Republic of Palau**

**For the Period November 22, 2017 thru November 21, 2018**

**Table of Contents**

<b><i>Performance Audit Report on Japan Grant Assistance – EQPB</i></b>		<b><i>Page No.</i></b>
I.	Introduction	1-2
II.	Background	2-3
III.	Objective, Scope and Methodology	3-4
IV.	Grant Contract Requirements	4-5
V.	Side Letter	5
VI.	Project Expenditures	5
VII.	Photos of Project Equipment	6
VII.	Finding of Compliance	7
VIII.	EQPB's Response	7
IX.	Conclusion	7



December 27, 2018

Ms. Roxanne Y. Blesam  
Executive Officer  
Environmental Quality Protection Board  
Koror, Republic of Palau

Dear Executive Officer Blesam:

On March 22, 2018, the Office of the Public Auditor received your letter requesting an audit of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) awarded to the Environmental Quality Protection Board (EQPB) in amount of \$62,648. The Grant awarded to the EQPB was used to procure one (1) Nissan Frontier SV 4X4 Pick-Up, (1) Manual Autoclave and (1) Thermo Heratherm for a total cost of \$67,493.00, the difference paid for by the EQPB via the Republic of Palau national treasury as further explained in this report. The Grant Contract between the Embassy of Japan and the Environmental Quality Protection Board was executed on November 22, 2017.



*Signing Ceremony at Embassy of Japan in Palau*



*Ambassador of Japan to Palau, Mr. Toshiyuki Yamada,  
Chairman of the Board of EQPB, Mr. Benjamin Yobech, EQPB  
Executive Officer Roxanne Y. Blesam and Staff*

The Objective of the audit is to determine whether Environmental Quality Protection Board: (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 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**

On November 22, 2017 the Office of the Public Auditor received a written request from the Environmental Quality Protection Board to conduct an audit on The Project for Improving Water Quality in Palau. PNCA Title 24, Environmental Protection under sub-section 102, Public Policy states: (a) "The Olbiil Era Kelulau, recognizing the profound impact of human activity on the interrelations of all components of the natural environment, particularly the profound influences of population growth and the redistribution, cultural change, resource exploitation, and technological advances, and recognizing further the critical importance of restoring and maintaining environmental quality to the overall welfare and development of humankind, declares that it is the continuing policy of the national government, in cooperation with the state governments, and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to foster and promote the general welfare, to create and maintain conditions under which humankind and nature can coexist in productive harmony, and fulfill the social, economic and other requirements



of present and future generations of the Republic.” With this continuing responsibility, the EQPB as the environmental protector of the Republic, arm of the national government overseeing all environmental issues related to ocean, water and land, applied for Japan’s Grant Assistance for Grass-Roots Human Security Project to procure equipment vital for overseeing and monitoring water quality in the Republic of Palau. According to the EQPB, during the drought in 2016, it was not able to fully implement water quality tests on rainwater catchment tanks for individual homes, schools, community halls and health centers in Babeldaob and outlying states of the Republic due to breakdown of lab equipment and deteriorating vehicle essential for transportation of technicians to and from job sites. Tests results during the drought showed 60% of schools and 85% of private homes did not meet safe levels for total coliform bacteria. Through its application request for Japan’s GGP, the EQPB was awarded \$62,648.00 to purchase equipment for monitoring water quality in the Republic of Palau.

### **Objective Scope and Methodology**

The Objective of the audit is to determine whether the Environmental Quality Protection Board: (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 transaction were properly recorded.

The scope of the audit covered the period beginning November 22, 2017 through November 21, 2018 to coincide with the term of the Grant Contract.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the Environmental Quality Protection Board or 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 a requirement that the grant funds be deposited into a bank account separate from and independent of the Republic of Palau 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 donor 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.

## Office of the Public Auditor

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 Office of the Environmental Quality Protection Board. The OPA also collaborated with the Embassy of Japan in the Republic of Palau to obtain other needed documents as necessary. Furthermore, the OPA met with the EQPB's Executive Officer and staff in charge of the project to discuss the details of the project and related issues.

### Grant Contract Requirements

In accepting the grant from the Grantor, the Recipient agrees to the following:

- 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) interim report to be provided within six months after the contract date
  - (2) 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.)
  - (3) 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;



**Office of the Public Auditor**

- 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 EQPB also executed a “Side Letter” of Commitment with the Embassy of Japan agreeing to:

1. Environmental Quality Protection Board will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Environmental Quality Protection Board will not withdraw any amount from the said account without written prior consent from the Embassy of Japan.
3. Environmental Quality Protection Board will shoulder any excess amount necessary to complete the project, if the cost of the project exceeds the Government of Japan’s grant.
4. Environmental Quality Protection Board 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 EQPB
5. Environmental Quality Protection Board 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**

The Table below itemizes the Project expenditures:

<b>Date</b>	<b>Check No.</b>	<b>Vendor</b>	<b>Item Description</b>	<b>Check Amount</b>
12/20/17	100	Ksau’s Motor	Pick-Up Nissan Frontier ’18 Blue	\$ 38,150.00
12/27/17	102	Mason’s Hardware	Auto Clave with Chamber	21,799.00
12/27/17	102	Mason’s Hardware	Thermo Heratherm	<u>2,699.00</u>
<b>Total GGP Grant</b>				<b>62,648.00</b>
<b>Total Expenses</b>				<b>\$ 67,493.00</b>
<b>*Variance</b>				<b>\$ 4,845.00</b>

\*Paid by EQPB via National Treasury

Japan’s GGP Grant Assistance to EQPB was \$62,648.00 and the total Project expenditures was \$67,493, the \$4,845 exceeding the grant amount paid for by National Treasury as agreed to in the Side Letter of commitment. On March 23, 2018, the Embassy of Japan turned over the vehicle and lab equipment to Environmental Quality Protection Board. As of this report, the EQPB has already registered the vehicle and lab equipment into the Republic of Palau National Government fixed asset accounting system.



### Photos of Project Equipment



*Handover Ceremony*



*Left Side of Nissan Frontier SV 4X4 Pick-Up*



*Back of Nissan Frontier SV 4X4 Pick-Up*



*Tuttnauer, Autoclave with chamber*



*Incubator (Thermo Heratherm Model IGS60)*

### **Finding of Compliance**

Based on our audit, the Office of the Public Auditor found that the Environmental Quality Protection Board administered Japan's GGP grant in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, the EQPB maintained proper controls over Project equipment and all records pertaining to the execution of the Project. Therefore, there are no findings in this audit report.

### **EQPB's Response**

The Environmental Quality Protection Board (EQPB) would like to thank your kind office for providing the draft audit report for the grant EQPB has received from the Japan Grant Assistance for Grass-roots Human Security Project (GGP) through the Embassy of Japan in Palau.

As per your office's request, the EQPB has reviewed the draft audit report for the grant and have no comments on the contents of the report.

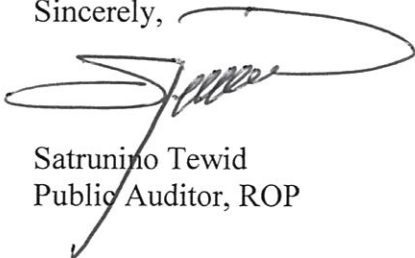
Thank you for the opportunity to comment on the report and for your kind assistance. We look forward to receiving the final audit report.

### **Conclusion**

The Japan's GGP Project for the procurement of a vehicle and lab equipment will capacitate the Environmental Quality Protection Board to conduct critical water quality tests and related monitoring responsibilities to ensure water quality in the Republic of Palau. This is especially critical to those sectors of the community most exposed and vulnerable to contaminated water such as schools, community centers, hospital, etc. The equipment purchased through the Japan GGP will also enable EQPB to expand and increase the number of water quality tests and visits to schools, individual homes, community health centers, and other locations to conduct necessary tests on rainwater catchment tanks throughout Koror and Babeldoab and the outlying states of the Republic of Palau.

The Office of the Public Auditor would like to thank the staff and management of the Environmental Quality Protection Board for their professional courtesy and cooperation extended to us during the audit.

Sincerely,



Satrunino Tewid  
Public Auditor, ROP





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

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