



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 PALAU HIGH SCHOOL”**



MINISTRY OF EDUCATION
REPUBLIC OF PALAU

Period from January 31, 2019 thru October 31, 2019

Performed by the Office of the Public Auditor

JPPHS-19- P05*opa00

REPUBLIC OF PALAU



Office of the Public Auditor

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May 10, 2021
Serial#: opa21-070au

Mr. Smyth Rdang
Principal
Palau High School
Ministry of Education
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 Palau High School"

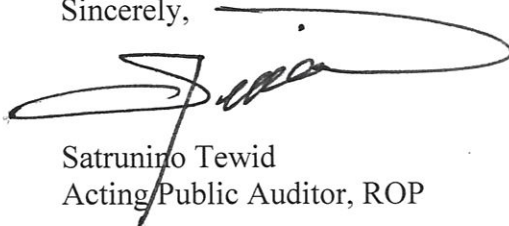
Dear Principal Rdang:

This report presents the result of our audit of Japan's Grant Assistance for the Project for the Procurement of School Bus for Palau High 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,



Satrunino Tewid
Acting Public Auditor, ROP

**Japan's Grant Assistance for Grass-Roots
Human Security Project for
"The Project for Procurement of School Bus
for Palau High School"**

**Ministry of Education
Republic of Palau**

For the Period January 31, 2019 thru October 31, 2019

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Office of the Public Auditor

May 10, 2021

Mr. Smyth Rdang
Principal
Palau High School
Ministry of Education
Koror, Republic of Palau

Dear Principal Rdang:

The Office of the Public Auditor at the request of Ministry of Education initiated an audit of the Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Procurement of School Bus for Palau High School."

The Embassy of Japan in the Republic of Palau awarded the sum of \$107,245.00 to Palau High School (PHS) for the procurement of a School Bus pursuant to a Grant Contract executed between the Embassy of Japan and Palau High School on January 31, 2019, as shown below:



*Signing of the Grant Contract on January 31, 2019
Source: Ministry of Education*

The Objective of the audit is to determine whether: (1) Palau High School administered the grant funds in compliance with the terms and conditions of the Grant Contract, (2) Palau High School complied with the grant's GGP procurement guidelines and (3) the bus was properly tagged and recorded, as appropriate, into the Republic of Palau's accounting records.

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The Office of the Public Auditor audited the administration of the grant funds pertaining to the Project’s procurements, receipts 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 the 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, Palau High School worked in collaboration with the Ministry of Education (MOE) to apply for and obtain funding from the Government of Japan’s GGP development project to procure a school bus for the school. The Palau High School and MOE worked with the Embassy of Japan to procure the bus and related accessories.

The purpose of the grant was to procure the following equipment:

Item	Quantity
Microbus	1
Painting	1
Spare Tires	6

Objective, Scope, and Methodology

The Objective of the audit is to determine whether: (1) Palau High School administered the grant funds in compliance with the terms and conditions of the Grant Contract, (2) Palau High School complied with the grant’s GGP procurement guidelines and (3) the bus was properly tagged and recorded, as appropriate, into the Republic of Palau’s accounting records.

The scope of the audit covered the period from January 31, 2019 through October 31, 2019.

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

In line with Japan’s Grant Assistance for Grassroots Human Security Project (GGP), the Government of Japan imposes and requires recipients to follow GGP procurement policies and therefore we did not assess compliance with the Republic of Palau Procurement Law and Regulations. In addition, the grant funds were deposited and administered outside of and separate from national treasury under the control of the Grantor. Hence, we did not assess compliance with the ROP Procurement Law and instead assessed compliance with GGP procurement policies and procedures.

Office of the Public Auditor

In addition, as the grant funds were deposited into a bank account and administered outside of and separate from national treasury, we did not assess compliance with national treasury laws of the ROP.

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 objective, we reviewed relevant project documents maintained at the Ministry of Education, Palau High School and the Japan Embassy in the Republic of Palau. We also reviewed the applicable GGP procurement policies and procedures. In addition, we discussed the project with the Administrative Officer of the Bureau of Curriculum and Instruction, Ministry of Education, and conducted on-site visit to inspect the School Bus at Palau High School.

Grant Contract

In accepting the grant from the Embassy of Japan, Palau High 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 the 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 report should outline achieved results in the light of the original goals and objectives as stated in the application proposal for the Project. The

Office of the Public Auditor

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 instructions;
- 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:
 1. To change how the grant is spend 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 donor promptly on all matters which may have influence on the execution of 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, Palau High School also agreed to additional terms and conditions in a "Side Letter" of Commitment from the Embassy of Japan stipulating the following:

1. Palau High School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Palau High School will not withdraw any amount from the said account without prior written consent from the Embassy of Japan.
3. Palau High 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. Palau High School will be responsible for the fuel expenses, daily inspection and the fee for any maintenance of the items granted.
5. Palau High School will submit an audit report on the Government of Japan's grant issued by the Office of the Public Auditor upon completion of the Project.

Project Expenditures

Palau High 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 and Accessories

Item/Quantity	Price (\$US)	Description
Total Japan Grass-roots Grant	\$107,245.00	The fund was deposited into BOH C/A No. 0032-823777 on February 18, 2019
1 Each 20190630001N	\$ 99,395.00	Nissan Civilian 30 Seater Microbus w/Emergency Hammer & Sticker Model: UGNHLDFW41ECB480Y Engine: TB45 Gasoline Engine 4,500 CC 5MT/Left Handle/30Seat DX Grade with Emergency Hammer and Sticker
1 Each	550.00	Bus Sticker and Logo
1 Each	5,500.00	Painting -Yellow
6 Each @ \$300.00	<u>1,800.00</u>	Tire, 7.50 R16 LT S600 14PR
Total Expenditures	<u>\$107,245.00</u>	
Balance	0.00	

The school bus arrived in Palau and underwent painting and logo placement. On October 4, 2019, the school bus was turned over to Palau High School in a formal Handover Ceremony as shown below:



Finding of Compliance

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

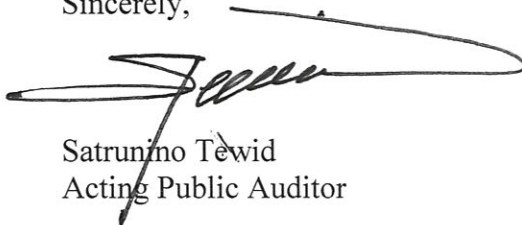
Conclusion

The Palau High School in collaboration with the Ministry of Education applied for and was awarded a grant from the Government of Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for the project the for procurement of a school bus. The purpose of the School Bus is to alleviate problems of transporting students residing in Babeldaob to and from school. The Ministry of Education assisted the school in applying for the grant and procuring the bus.

Hence, the Palau High School in collaboration with the Ministry of Education and through the Government of Japan's GGP grant was able to procure a bus, relieving the pressure on limited capacity to provide transport for students residing in Babeldaob. Today, Palau High School has the capacity to provide reliable transportation service for its students to and from school and to support other school-related activities outside the school campus. Approximately 538 students of Palau High School benefit from this project, as well as school personnel, parents, and community members who participate in school-related activities today and in the future.

The Office of the Public Auditor would like to thank the staff and management of the Palau High School, Ministry of Education and the Embassy of Japan in the Republic of Palau for their professional courtesy and cooperation during this audit.

Sincerely,



Satrunino Tewid
Acting Public Auditor

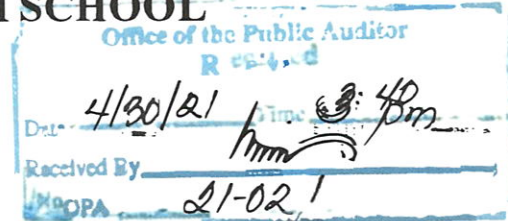


REPUBLIC OF PALAU
MINISTRY OF EDUCATION

PALAU HIGH SCHOOL

30 April 2021

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 Palau High School"

Dear Auditor Tewid:

This is to acknowledge receipt of a DRAFT audit report on Japan's Grant Assistance for Grass-roots Human Security Projects to procure a bus for Palau High School.

We have reviewed the report thoroughly. We concur with the report as is.

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

Sincerely,

Smyth Rdang
Principal, Palau High School

cc: Chief of School Management



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

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