OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU

PERFORMANCE AUDIT REPORT

on

JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECT FOR

"THE PROJECT FOR THE CONSTRUCTION OF SANITARY FACILITY AT KOKUSAI PARK IN NGATPANG STATE"

NGATPANG STATE GOVERNMENT

Republic of Palau

For the period from October 11, 2024, through December 2, 2025

Performed by the Office of the Public Auditor

Report Number: 2026-005

REPUBLIC OF PALAU

Office of the Public Auditor

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26-126
August 10, 2026

Honorable Jersey Iyar
Governor
Ngatpang State Government
Republic of Palau

Subject: **Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for the Construction of Sanitary Facility at Kokusai Park in Ngatpang State".**

Dear Governor Iyar:

This report presents the results of our audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for the Construction of Sanitary Facility at Kokusai Park in Ngatpang State".

We received your response to the Draft Audit Report, which is published in its entirety in the final report.

If you have any questions regarding the report or the subject matter discussed therein, we will be available at your request.

Sincerely,

Satrunino Tewid
Acting Public Auditor
Republic of Palau

JAPAN’S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECT FOR

“THE PROJECT FOR THE CONSTRUCTION OF SANITARY FACILITY AT KOKUSAI PARK IN NGATPANG STATE”

Ngatpang State Government
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For the period from October 11, 2024, through December 2, 2025

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August 10, 2026

Honorable Jersey Iyar
Governor
Ngatpang State Government
Ngatpang, Republic of Palau

Dear Governor Iyar:

Based on your request received on December 9, 2025, the Office of the Public Auditor (OPA) initiated a performance audit on Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for the Construction of Sanitary Facility at Kokusai Park in Ngatpang State" (the Project).

The Embassy of Japan (the Embassy) in the Republic of Palau (ROP) awarded the Ngatpang State Government's (NSG) a sum of $92,694.00 for the construction of a new sanitary facility. Shown below is the signing ceremony of the Project's Grant Contract between the Embassy and NSG on October 11, 2024:

Signing Ceremony on October 11, 2024
Source: Embassy of Japan Website

The objective of the audit was to determine whether the NSG (1) administered the grant in compliance with the terms and conditions of the Grant Contract, (2) adhered to the GGP procurement guidelines, and (3) properly recorded the fixed asset, as applicable, in its accounting records.

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

Background

The Government of Japan offers a financial assistance development program known as "the Grant Assistance for Grassroots Human Security Projects (GGP)" to help Non-Governmental Organizations (NGOs) and local government authorities develop projects designed to meet the diverse basic human needs of the people in developing countries. Since 1999, the Embassy has been actively engaged in this program, having funded and implemented 105 projects totaling approximately $11,133,001 as of March 2025. These projects primarily focus on education, health, and public welfare.

Ngatpang State, one of the 16 states of Palau, is recognized for its rich cultural heritage and natural beauty. Within the state, Kokusai Park serves as a community-centered public space and key gathering venue for residents and visitors. The Park hosts markets, cultural events, public meetings, and social activities that foster community engagement and strengthen social ties.

The existing sanitary facility in Kokusai Park was built over a decade ago and is no longer adequate to meet the current demand. In addition, its leaking septic tank poses sanitation and environmental risks, highlighting the need to replace the facility.

In response to this need, on October 11, 2024, the Embassy granted the GGP fund of $92,694.00 to the Ngatpang State Government for the purchase of the following items:

Item	Quantity
Construction of Sanitary Facility	1

Source: Grant Contract Annex

Objective, Scope, and Methodology

The objective of the audit was to determine whether the NSG (1) administered the grant in compliance with the terms and conditions of the Grant Contract, (2) adhered to the GGP procurement guidelines, and (3) properly recorded the fixed asset, as applicable, in its accounting records.

The scope of the audit covered the period from October 11, 2024, through December 2, 2025, as well as other periods, as necessary, to meet the audit objectives.

The Government of Japan imposes and requires recipients to follow the GGP procurement guidelines in the procurement of goods and services. Furthermore, the Embassy maintains control over the Project bank account established for the purpose of the Project. Withdrawals from the account require prior approval of the Embassy. Consequently, audit procedures will be conducted specifically to ensure compliance with these requirements.

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.

The Public Auditing Act of 1985 empowers the Office of the Public Auditor (OPA) to specifically act to prevent fraud, waste, and abuse in the collection and expenditure of public funds. The Public Auditor may make recommendations on the prevention and/or detection of fraud, waste, and abuse of public funds.

To achieve our objectives, we examined records and documents maintained by the NSG. Specifically, the OPA reviewed the Grant Contract, Side Letter, and the GGP Procurement Guidelines, and other relevant documents. Additionally, we reviewed expenditure reports and tested expenditures and related supporting documentation. Furthermore, we interviewed project administrators and conducted a site visit to inspect the sanitary facility at Kokusai Park.

Grant Contract

In accepting the GGP fund from the Embassy, the NSG 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. The products and/or services purchased under the grant shall not be used for military purposes;
E. To provide 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 reports should outline achieved results in light of the original goals and objectives as stated in the application proposal for the Project. The reports 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 instructions;
F. To complete the Project within one year after the contract date;
G. To consult with and receive instructions 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;

H. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;
I. 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;
J. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
K. 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
L. 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 NSG also agreed to additional terms and conditions contained in a "Side Letter" of commitment with the Embassy, stipulating the following:

1. Ngatpang State will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. Ngatpang State will not withdraw any amount from the said account without prior consent from the Embassy of Japan.
3. Ngatpang State will shoulder any excess amount necessary to complete the project if the cost of the project exceeds the Government of Japan's grant.
4. Ngatpang State will own the land and be responsible for the management/supervision of the construction of sanitation facilities (toilets and hand washing stations) and will grant land use and construction permits.
5. Ngatpang State will be responsible for designing of the facilities to withstand natural disasters such as typhoons.
6. Ngatpang State will be responsible for the regular maintenance of sanitation facilities, toilets and related equipment and all costs incurred in carrying out the maintenance of the items granted.
7. Ngatpang State will install fences to prevent park users from entering the construction site during the construction period, and construction work will be carried out only after ensuring the safety of construction workers.
8. As required by the Donor, the Government of Japan, Palau Goods and Services Tax will not be imposed on the Contractor chosen to perform the project.

Project Expenditures

The NSG fully expended the GGP fund of $92,694.00 for its intended purpose to construct the sanitary facility. The total actual project cost was $92,694.00**,** which was disbursed in three equal installments. A detailed breakdown of the expenditures is shown in **Table 1** below.

Table 1:
GGP Funding and Project Expenditures

Grant Amount		$92,694.00
Expenditures		
Sanitary Facility-Construction Phase 1($33.\overline{3}$%)	$30,898.00	
Sanitary Facility-Construction Phase 2($33.\overline{3}$%)	$30,898.00	
Sanitary Facility-Construction Phase 3($33.\overline{3}$%)	$30,898.00	$92,694.00
Balance		$0.00

Handover Ceremony

On December 2, 2025, the newly constructed sanitary facility was turned over to the Ngatpang State Government in a formal Handover Ceremony, as shown below:

Handover Ceremony on December 2, 2025
Source: Embassy of Japan Website

Findings and Recommendations

Based on our audit, the OPA found that the NSG, for the most part, administered the GGP fund for the Project in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. However, we identified two issues where improvements could be made to further improve and strengthen the administration of the GGPs grant, as detailed below in the Findings and Recommendations section.

Finding No. 1 – Interim Report Deadline

Section E (1) of the Grant Contract states the following:

- To provide one (1) Interim Report within six months after the contract date.

We found the following condition:
NSG signed the contract on October 11, 2024; essentially setting the due date of the Interim Report for April 11, 2025 or before; however, the Interim Report was provided to the Embassy on June 3, 2025, over a month late.

NSG did not establish communication or consult with the Embassy on submitting the report late.

As a result, the grantee did not comply with Section E (1) of the Grant Contract.

Recommendation:

We recommend that the NSG be more mindful of the requirements of the Grant Contract and act upon them accordingly. For any anticipated reason that the NSG is unable to comply, it should consult with the Embassy of Japan to avoid falling out of compliance.

NSG's Response:

NSG acknowledges this finding and accepts responsibility for the delayed submission of the interim report. We also acknowledge that we did not promptly notify or consult with the Embassy regarding the delay in submission.

To prevent similar occurrences in the future, NSG will implement the following measures: establish an internal reporting calendar identifying all grant reporting deadlines; assign specific staff responsibility for monitoring grant compliance and reporting requirements; implement an internal review process to ensure reports are prepared and submitted well in advance of established deadlines; strengthen management oversight through periodic monitoring of all grant related reporting obligations; and promptly communicate with grantors whenever circumstances may affect compliance with reporting deadlines. *See Appendix, page 10, for the complete response.*

Finding No. 2 –Fixed Asset Policy & Record

Sound financial management practices require NSG to maintain a documented fixed asset policy and to record all fixed assets, as applicable, in its accounting records. This ensures accurate financial reporting, accountability, and safeguarding of assets.

NSG failed to establish a fixed asset policy; though management claimed to follow national government guidelines, no documentation was provided to support the claim. In addition, there was no evidence to support that the cost of the sanitary facility was recorded into the NSG

QuickBooks accounting system. Evidently, following the accountant's resignation, NSG no longer had access to its historical QuickBooks records and was unable to verify or provide evidence that the sanitary facility had been recorded. While NSG did present a Fixed Asset Form assigning the facility to the "Property & Building" account, the form lacked the asset's value and proof that the item was actually entered into the accounting system.

The absence of a documented fixed asset policy, combined with the lack of established procedures for accessing the accounting system, prevented management and auditors from verifying the recording of fixed asset costs in the accounting system. As a result, we were unable to determine that the fixed asset was properly recorded into the NSG accounting system, increasing the risk of inaccurate financial reporting.

Recommendation:
We recommend that NSG formally adopt the National Government's fixed asset policy or develop a separate fixed asset policy that establishes procedures for identifying, recording, safeguarding, and disposing of fixed assets. In addition, NSG should strengthen internal controls over its accounting system by establishing procedures to ensure the continuity of access to the accounting system during staff transitions, maintaining appropriate password controls, and ensuring that accounting records remain complete and accessible for management and audit purposes.

NSGs response:
NSG acknowledged that documentation supporting the formal adoption of a fixed asset policy was not available for audit verification. Furthermore, it was unable to retrieve the historical accounting records necessary to demonstrate that the sanitary facility had been recorded in the State's fixed asset register.

NSG has initiated the following corrective measures to strengthen its asset management practices: Seek technical assistance from appropriate agencies to regain access to the former QuickBooks systems and recover historical accounting records, where feasible; develop and formally adopt a comprehensive Fixed Asset Policy consistent with generally accepted governmental accounting practices; establish and maintain a centralized Fixed Asset Register that includes all government-owned buildings, infrastructure, equipment, and other capital assets; record the Kokusai Park Sanitary Facility in the State's fixed asset records using all available supporting documentation, including project completion records and grant documentation; conduct periodic physical inventories to verify the existence and condition of State assets; and implement procedures to ensure that future capital assets financed through grants or State funds are promptly recorded and properly documented upon completion. *See Appendix, pages 10-11, for the complete response.*

Conclusion

The Ngatpang State Government was granted and fully expended the $92,694.00 GGP for the construction of a sanitary facility in accordance with the Grant Contract. The audit confirms that all funds were directed toward the construction of a new sanitary facility at Kokusai Park. This new facility benefits the community by accommodating the increased number of visitors and events held at the park. Furthermore, the new facility replaces an old facility built over ten years ago, which was too small and in a state of disrepair with a leaking septic tank. The project successfully met its objectives by increasing restroom capacity, providing clean public restrooms, and protecting the environment in Ngatpang State.

The Office of the Public Auditor would like to thank the staff and management of the NSG and the Embassy of Japan for their professional courtesy and cooperation during this audit.

Sincerely,

Satrunino Tewid
Acting Public Auditor
Republic of Palau

APPENDIX: NSG's Response:

NGATPANG STATE GOVERNMENT
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Serial No: NSGji 2026-115

Office of the Public Auditor
Republic of Palau
RECEIVED
Date/Time 07/29/26 2:01 P.M
By ______ Number 26-062

July 27, 2026

Mr. Satrunino Tewid Acting
Office of the Public Auditor
P.O. Box 850
Koror, Palau 96940

Subject: ***Submission of Management Response to Audit Findings-GGP Project for the Construction of Sanitary Facility at Kokusai Park, Ngatpang State***

Dear Mr. Tewid,

Greetings from the Ngatpang State Government.

On behalf of the Ngatpang State Government, I respectfully submit the enclosed Management Response to the Audit Findings pertaining to the audit of the Project for the Construction of Sanitary Facility at Kokusai Park, Ngatpang State, funded through the Government of Japan's Grant Assistance for Grassroots Human Security Projects (GGP).

We appreciate the Office of the Public Auditor for conducting this audit and for providing constructive observations and recommendations to strengthen our administrative and financial management practices. The audit findings have been carefully reviewed, and management acknowledges the areas identified for improvement.

The enclosed response addresses each finding and outlines the corrective actions that Ngatpang State Government has initiated or plans to implement. These actions are intended to strengthen our internal controls, improve compliance with grant reporting requirements, establish formal policies governing fixed assets and enhance the accountability and stewardship of public resources.

Ngatpang State Government remains committed to maintaining sound financial management practices and ensuring full compliance with applicable grant requirements and auditing standards. We value the recommendations provided by your office and will continue to work toward improving our systems and procedures.

Thank you for your office's professionalism and assistance throughout the audit process. Should you require any additional information or clarification regarding our responses or corrective actions, please do not hesitate to contact our office.

Respectfully,

Jersey Iyar
Governor
Ngatpang State Government

Cc: 5th Ngatpang State Legislature

Ngatpang State Government Mangement Response to Audit Findings
Japan's Grant Assistance for Grassroots Human Security Projects (GGP)
The Project for the Construction of Sanitary Facility at Kokusai Park,
Ngatpang State

Finding No. 1: Late Submission of Interim Report

Finding: The required interim report was submitted to the Embassy more than one month after the prescribed deadline.

Management Response:

Ngatpang State Government acknowledges this finding and accepts responsibility for the delayed submission of the interim report. The delay resulted primarily from administrative challenges, including competing operational priorities and limited administrative capacity during the reporting period. We recognize that timely reporting is an important requirement under the Grant Assistance for Grassroots Human Security Projects (GGP) and is essential for maintaining accountability and effective communication with the Embassy of Japan.

The interim report was ultimately completed and submitted; however, we acknowledge that it did not meet the required deadline. We also acknowledge that we did not promptly notify or consult with the Embassy regarding the delay in submission.

Corrective Action:

To prevent similar occurrences in the future, Ngatpang State Government will implement the following measures:

- Establish an internal reporting calendar identifying all grant reporting deadlines.
- Assign specific staff responsibility for monitoring grant compliance and reporting requirements.
- Implement an internal review process to ensure reports are prepared and submitted well in advance of established deadlines.
- Strengthen management oversight through periodic monitoring of all grant-related reporting obligations.
- Promptly communicate with grantors whenever circumstances may affect compliance with reporting deadlines.

Management is committed to ensuring that all future reports are submitted within the prescribed timeframes.

Finding No. 2: Fixed Asset Policy and Fixed Asset Records

Finding: Ngatpang State Government had not formally adopted a Fixed Asset Policy. In addition, the State no longer had access to its previous QuickBooks accounting system, and the auditors were unable to verify that the sanitary facility had been properly recorded as a fixed asset.

Management Response:

Ngatpang State Government acknowledges this finding. At the time of the audit, management understood that previous accounting staff had followed National Government accounting guidelines; however, documentation supporting the existence or formal adoption of a fixed asset policy was not available for audit verification. Additionally, due to the loss of access to the former QuickBooks accounting system, management was unable to retrieve historical accounting records necessary to demonstrate that the sanitary facility had been recorded in the State's fixed asset register.

While the sanitary facility remains under the ownership, control, and operation of Ngatpang State Government, the supporting accounting documentation was not readily available for audit verification.

Corrective Action:

Management has initiated the following corrective measures to strengthen its asset management practices:

- Seek technical assistance from appropriate agencies to regain access to the former QuickBooks system and recover historical accounting records, where feasible.
- Develop and formally adopt a comprehensive Fixed Asset Policy consistent with generally accepted governmental accounting practices.
- Establish and maintain a centralized Fixed Asset Register that includes all government-owned buildings, infrastructure, equipment, and other capital assets.
- Record the Kokusai Park Sanitary Facility in the State's fixed asset records using all available supporting documentation, including project completion records and grand documentation
- Conduct periodic physical inventories to verify the existence and condition of State assets.
- Implement procedures to ensure that future capital assets financed through grants or State funds are promptly recorded and properly documented upon completion.

Management believes these corrective actions will significantly strengthen internal controls over capital assets and improve compliance with grant requirements and future audits.

Conclusion

Ngatpang State Government appreciates the observations and recommendations provided during the audit. We remain committed to strengthening our internal controls, improving financial management practices, and ensuring full compliance with the requirements of the Government of Japan's Grant Assistance for Grassroots Human Security Projects and other donor-funded initiatives.

We value our partnership with the embassy of Japan and remain committed to maintaining the highest standards of accountability, transparency, and stewardship of public resources.

ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO:

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7:30 a.m. - 4:30 p.m.

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