



**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 PROCUREMENT OF VACUUM TRUCK
FOR PPUC'S WASTEWATER OPERATION"**



WASTEWATER OPERATION

**PALAU PUBLIC UTILITIES CORPORATION
REPUBLIC OF PALAU**

Period from December 23, 2022 thru March 22, 2024

Performed by the Office of the Public Auditor

JP*PPUC*WWO-24-01P*opa00



REPUBLIC OF PALAU

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Office of the Public Auditor

November 18, 2024
Serial#: opa25-008au

Mr. Frank Kyota
Chief Executive Office
Palau Public Utilities Corporation
Koror, Republic of Palau

Subject: Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Procurement of Vacuum Truck for PPUC's Wastewater Operation"

Dear Mr. Kyota:

This report presents the result of our audit of Japan's Grant Assistance for "The Project for Procurement of Vacuum Truck for PPUC's Wastewater Operation."

The Office of the Public Auditor (OPA) received your response to the Draft Audit Report. The response is published verbatim 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:
"The Project for Procurement of Vacuum Truck for
Palau Utilities Corporation's Wastewater Operation"**

**Palau Public Utilities Corporation
Republic of Palau**

For the Period December 23, 2022 to March 22, 2024

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Office of the Public Auditor

November 18, 2024

Mr. Frank Kyota
Chief Executive Officer (CEO)
Palau Public Utilities Corporation
Koror, Republic of Palau

Dear CEO Kyota:

At your request, the Office of the Public Auditor (OPA) initiated an audit of the Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Procurement of Vacuum Truck for the Palau Public Utilities Corporation's Wastewater Operations."

The Embassy of Japan in the Republic of Palau awarded the sum of \$182,800 to the Palau Public Utilities Corporation's Wastewater Operations for the acquisition of a Vacuum Truck pursuant to a Grant Contract executed between the Embassy of Japan and PPUC Wastewater Operations on December 23, 2022, as shown below:



Signing of Contract on December 23, 2022.

The objective of the audit was to determine whether the PPUC's Wastewater Operations (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) properly recorded the equipment into its accounting records.

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

Based on the audit, the Office of the Public Auditor found that the PPUC’s Wastewater Operations administered the GGP grant in compliance with the terms and conditions of the Grant contract and GGP procurement guidelines. In addition, the PPUC’s Wastewater Operations properly recorded the equipment in its accounting records. Therefore, there are no audit findings.

Background

To alleviate the many challenges facing developing countries, including poverty, starvation, infectious diseases, climate change and environmental issues, the Government of Japan established “The Grant Assistance for Grass-roots Human Security Projects (GGP).” The purpose of the projects is to assist non-government organizations and local public authorities in responding to various development needs in a prompt and complete manner.

The Palau Public Utilities Corporation (PPUC) is a government-owned entity responsible for providing water, sewer, and electricity services in the Republic of Palau. In June 2013, the PPUC merged with the Palau Water & Sewer Corporation to streamline operations and reduce costs. The PPUC is overseen by a seven-member Board of Directors appointed by the President with the consent of the Palau National Congress. Despite the merger, the Electrical Power Operations (EPO) and Water and Wastewater Operations (WWO) are treated as separate business segments, each with its own organizational structure and budget. Administrative costs and expertise are allocated separately to ensure independence between the two segments.

Leveraging the GGP initiative, the PPUC, the WWO division in particular, entered into a Grant Contract with the Embassy of Japan, Republic of Palau (ROP), to secure a \$182,800 grant for the acquisition of a Vacuum Truck. The purpose of the Vacuum Truck is to mitigate sewage overflows in Palau’s sewage distribution networks by transporting liquid waste to designated treatment or disposal sites. Such measures are essential for safeguarding public health and the environment, most importantly Palau’s pristine ocean. The purpose of the grant was to procure products and/or services below:

Item	Quantity
Vacuum Truck	1

Objective, Scope, and Methodology

The objective of the audit was to determine whether the PPUC’s Wastewater Operation (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) properly recorded the equipment into its accounting records.

The scope of the audit covered the period from December 23, 2022, through March 22, 2024.

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

The Government of Japan imposes and requires recipients to follow the GGP procurement policies in the procurement of goods and services, and 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 the grant requirements, not PPUC's procurement and disbursement policies and procedures.

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 PPUC's Wastewater Operations 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 Water and Wastewater Operation Manager, Accounting and/or Procurement Officer, and other relevant personnel of the PPUC and conducted on-site visits to inspect the Project.

Grant Contract

In accepting the grant from the Embassy of Japan, the Palau Public Utilities Corporation's Wastewater Operation 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 following reports on the progress of the Project:
1. One (1) project completion report (including an audit report on the grant issued by an independent accountant/accounting body) 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 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 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 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 Public Utilities Corporation's Wastewater Operations also agreed to additional terms and conditions contained in a "Side Letter" of commitment with the Embassy of Japan stipulating the following:

1. Palau Public Utilities Corporation's Wastewater Operations will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned Project.
2. Palau Public Utilities Corporation's Wastewater Operations will not withdraw any amount from said account without prior written consent from the Embassy of Japan.

3. Palau Public Utilities Corporation's Wastewater Operations 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 Public Utilities Corporation's Wastewater Operations will be responsible for submitting an audit report on the grant issued by the Office of the Public Auditor to be provided upon the completion of the Project.
5. Palau Public Utilities Corporation's Wastewater Operations will be responsible for registering and insurance a Vacuum Truck and parking at the Palau Public Utilities Corporation premises or other designated area.
6. Palau Public Utilities Corporation's Wastewater Operations will be responsible for the regular inspection/maintenance Vacuum Truck and keep the maintenance log. Existing Vacuum Truck will be properly process by Palau Public Utilities Corporation.
7. Palau Public Utilities Corporation's Water and Wastewater Operations will keep an operating log for a Vacuum Truck in order to prevent personal or other usage aside from its intended purpose.
8. Palau Public Utilities Corporation's Wastewater Operations will inform and consult the Embassy of Japan if any problems including loss and damage occur with the granted equipment Vacuum Truck within 2 years after the completion of the project as part of follow-up.
9. Palau Public Utilities Corporation's Wastewater Operations will be responsible for the fuel expenses, daily inspection and the fee for any maintenance of a vacuum truck.
10. Palau Public Utilities Corporation's Wastewater Operations will put stickers or sign displaying the flag of Japan on to the provided equipment in order to ensure the visibility of Japan's grant assistance.

Project Expenditures

The Palau Public Utilities Corporation's Wastewater Operations received the grant and subsequently used the funds to procure a Vacuum Truck from NBK Corporation in Japan. The Wastewater Operations incurred an additional expense of \$15,000 due to production delays, causing fluctuations in currency exchange rates, which it absorbed as agreed in the Side Letter. The following table shows the breakdown of project expenditures:

Grant Amount	\$ 182,800.00
Izusu/Kanematsu Vacuum Truck	\$ 197,800.00
Total Expenditures	\$ 197,800.00
Excess Cost	\$ (15,000.00)
Paid by PPUC	\$ 15,000.00
Balance	-0-

On February 28, 2024, the Vacuum Truck was turned over to the Palau Public Utilities Corporation’s Wastewater Operations in a formal Handover Ceremony shown below:



Handover ceremony on February 28, 2024

Finding of Compliance

Based on our audit, the Office of the Public Auditor found that the Palau Public Utilities Corporation’s Wastewater Operation administered the GGP grant for “The Project for Procurement of Vacuum Truck for the Palau Public Utilities Corporation’s Water and Wastewater Operation” in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, the Palau Public Utilities Corporation’s Water and Wastewater Operation maintained proper accounting records pertaining to the acquisition of the vacuum truck. Therefore, there are no findings in this report.

PPUC’s Response as shown in Appendix I.

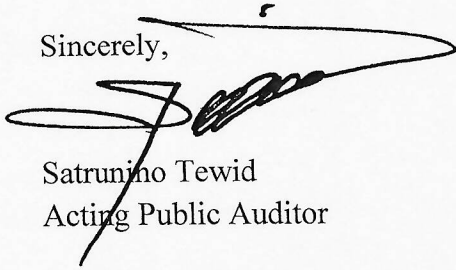
PPUC concurs with the draft audit report as stated under the Finding of Compliance “...there are no findings in this report.” Accordingly, PPUC requests the Office of the Public Auditor to finalize the audit report for submission to the Embassy of Japan for Japan’s Grant Assistance for Grassroots Human Security Project for “The Project of Procurement of Vacuum Truck for the Palau Utilities Corporation Wastewater Operation.”

Conclusion

The Palau Public Utilities Corporation's Wastewater Operation was granted \$182,000 from the Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP). The purpose of the grant was to fund the Project for Procurement of a Vacuum Truck with the primary purpose of protecting the environment and public health in Koror, home to over 11,000 residents relying on a dilapidated sewage system. The Vacuum Truck serves its purpose by mitigating sewage overflows and runoffs, pivotal in averting potential hazards to public health, preserving marine ecosystems, and safeguarding nearby water sources.

The Office of the Public Auditor would like to thank the staff and management of the Palau Public Utilities Corporation's Wastewater Operation and the Embassy of Japan in the Republic of Palau for their professional courtesies and cooperation during this audit.

Sincerely,



Satrunino Tewid
Acting Public Auditor

PPUC's Response



PALAU PUBLIC UTILITIES CORPORATION

October 16, 2024
PPUC/CEO 24-116

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

RE: Request to Confirm the Draft Audit Report for Japan's Grant Assistance for Grassroots Human Security Project for "The Project of Procurement of Vacuum Truck for the Palau Utilities Corporation Wastewater Operation"

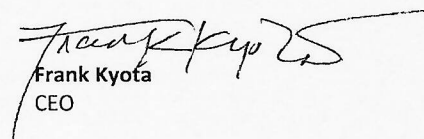
Dear Mr. Tewid,

Palau Public Utilities Corporation (PPUC) received the draft audit report and submitted the comments to the Office of the Public Auditor. After the submission of these comments, PPUC is satisfied with the report for "The Project for Procurement of Vacuum Truck for the Palau Public Utilities Corporation's Wastewater Operation" for the period from December 23, 2022, through March 22, 2024.

PPUC concurs with the draft audit report as stated under Finding of Compliance "...there are no findings in this report." Accordingly, PPUC requests the Office of the Public Auditor to finalize the audit reports for submission to The Embassy of Japan for the Japan's Grant Assistance for Grassroots Human Security Project for "The Project of Procurement of Vacuum Truck for the Palau Utilities Corporation Wastewater Operation."

Thank you very much.

Sincerely,


Frank Kyota
CEO



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

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