



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 RENOVATION OF THE ANGAUR
ELEMENTARY SCHOOL BUILDING"**



Angaur Elementary School
MINISTRY OF EDUCATION
Republic of Palau

For the period from January 10, 2025, through January 08, 2026

Performed by the Office of the Public Auditor

Report Number: 2026-004



Office of the Public Auditor

REPUBLIC OF PALAU

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26-109
July 14, 2026

Mr. Raynold Mechol
Director, Bureau of Schools Operations
Ministry of Education
Republic of Palau

Subject: **Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Renovation of the Angaur Elementary School Building".**

Dear Director Mechol:

This report presents the results of our audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Renovation of the Angaur Elementary School Building".

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 RENOVATION OF THE ANGAUR
ELEMENTARY SCHOOL BUILDING”**

**Angaur Elementary School
Ministry of Education
Republic of Palau**

For the period from January 10, 2025, through January 08, 2026

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July 14, 2026

Mr. Raynold Mechol
Director, School Operations
Ministry of Education
Republic of Palau

Dear Director Mechol:

The Angaur Elementary School (AES) requested the Office of the Public Auditor to conduct an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP), namely "The Project for Renovation of the Angaur Elementary School Building".

The Embassy of Japan in the Republic of Palau awarded the sum of \$402,902.00 to AES for the Renovation of the Angaur Elementary School Building, according to a Grant Contract executed between the Embassy of Japan and AES on January 10, 2025 as shown below:



*Signing of Contract on January 10, 2025
Source: Embassy of Japan Website*

The objective of the audit was to determine whether the AES (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 fixed asset (school building) 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 according to the Grant Contract and GGP procurement guidelines.

Background

The Government of Japan offers a financial assistance scheme 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.

Angaur is a remote island state accessible only by boat or small plane and it is home to more than 200 residents. At its heart is the Angaur Elementary School, established in 1945, which serves as the community's sole institution for formal education, including distance learning for higher education.

The Angaur Elementary School building also holds a space for a small museum gallery that displays World War II artifacts recovered during JARRWC (Japan Association for Recovery and Reparation of War Casualties) operations. A Memorandum of Understanding (MOU) was signed between the Ministry of Education, Ministry of Human Resources, Culture, Tourism and Development, and Japan's Ministry of Health, Labour and Welfare. The gallery will be a new facility symbolizing the historical relationship between Japan and the Angaur State.

Through the GGP, the Angaur Elementary School engaged in a grant agreement with the Embassy of Japan, Republic of Palau (“ROP”), securing \$402,902.00 for the Renovation of Angaur Elementary School Building. The Angaur Elementary School building will provide a safe and hygienic learning environment, but also to serve its role as an emergency shelter and community space. The school serves the rural community and/or students living on the island and parents with a wide array of socio-economic backgrounds. The access to public education is a critical component of the Palau Government's effort to bring about ongoing economic and social development of the Angaur community.

Objective, Scope, and Methodology

The objective of the audit was to determine whether the Angaur 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) properly recorded the fixed asset (auditorium), as appropriate, into its accounting records.

The scope of the audit covered the period from January 10, 2025 through January 08, 2026.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of Angaur Elementary School 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 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. 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 Angaur Elementary School and the Japan Embassy in the Republic of Palau. These documents included Grant Contract, Side Letter, GGP procurement policies and procedures, project invoices and related documents, and other relevant documents. In addition, we discussed the Project with the Director of School Operations and Principal conducted on-site visits to inspect the Project.

Grant Contract

In accepting the grant from the Embassy of Japan, AES 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) 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 the 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;
- 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, Angaur Elementary School also agreed to additional terms and conditions contained in a “Side Letter” of commitment with the Embassy of Japan, stipulating the following:

- Angaur Elementary School will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned Project.
- Angaur Elementary School will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
- Angaur Elementary School will bear any excess amount necessary to complete the Project, if the cost of the Project exceeds the Government of Japan’s grant.
- Angaur Elementary School will be responsible for designing the school building to withstand natural disasters such as typhoons, taking into consideration the expected live loads, dead loads, seismic waves, and salt damage.
- Angaur Elementary School will be responsible for the regular inspection/maintenance and all costs incurred in carrying out the inspection and maintenance of the items granted.
- 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

Angaur Elementary School received the grant funds, which were utilized for the renovation of the school building, completed by A’s Construction. The full amount of the grant funds was utilized

for the project. Any remaining project costs beyond the grant allocation were covered using local funds. The total cost of the project was \$490,000.00 upon completion, which is \$87,098.00 more than the grant amount of \$402,902.00. The following table indicates the breakdown of the project funds expenditure:

Table 1: Progress Payment

Grant Amount		\$402,902.00
Expenditures		
Initial Payment	\$244,125.00	
Payment No.2	\$16,641.29	
Payment No.2	\$60,740.71	
Payment No.3	\$44,307.00	
Final Payment	\$124,186.00	
TOTAL	\$490,000.00	

Handover Ceremony

On January 08, 2026 the renovation of the school building was completed and turned over to Angaur Elementary School in a formal Handover Ceremony, as shown below:



Handover ceremony on January 23, 2026
Source: Ministry of Education

Finding of Compliance

Based on our audit, the Office of the Public Auditor determined that Angaur Elementary School generally administered the GGP grant for “The Project for Renovation of the Angaur Elementary School Building” in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, AES, in coordination with the Ministry of Education, worked with the Bureau of the National Treasury to ensure the newly renovated school building was properly recorded as a fixed asset in the Republic of Palau’s accounting records. Accordingly, this audit report contains no findings.

MOE's Response

This is to acknowledge receipt of the draft audit report on Japan GGP grant for the “Project for Renovation of Angaur Elementary School Building” on July 2, 2026.

After a thorough review, the Ministry of Education along with Angaur Elementary School concur with the audit findings. Consequently, we request your office to finalize the audit report.

We express our most sincere appreciation for your unwavering support to the education of our children.

Conclusion

The Angaur Elementary School was granted \$402,902.00 from the Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP). This funding was allocated for the Project for Renovation of the Angaur School Building, for renovating a deteriorated school facility, which is vital for both the school and the community. The newly renovated school building has provided a safe and hygienic learning environment, and also continues to serve its role as an emergency shelter and community space.

The Office of the Public Auditor would like to thank the staff and management of the Angaur Elementary 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

Appendix: MOE's Response



REPUBLIC OF PALAU
MINISTRY OF EDUCATION
BUREAU OF SCHOOL OPERATIONS

July 03, 2026

Mr. Satrunino Tewid
Public Auditor
Office of the Public Auditor
Koror, Palau 96940

Office of the Public Auditor	
Received	
Date <u>7/3/26</u>	Time <u>9:03 am</u>
Received By <u>Ochebir af</u>	
No. <u>DPA 26-059</u>	

Dear Public Auditor Tewid:

This is to acknowledge receipt of the draft audit report on Japan GGP grant for the "Project for Renovation of Angaur Elementary School Building" on July 2, 2026.

After a thorough review, the Ministry of Education along with Angaur Elementary School concur with the audit findings. Consequently, we request your office to finalize the audit report.

We express our most sincere appreciation for your unwavering support to the education of our children.

Respectfully,

A handwritten signature in blue ink, appearing to read "Raynold Mechol".

Raynold Mechol
Director of School Operations

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

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

(Closed on Legal Holidays)