



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 RECONSTRUCTING CAFETERIA
FOR MEYUNS ELEMENTARY SCHOOL”



Meyuns Elementary School
MINISTRY OF EDUCATION
Republic of Palau

For the period from March 04, 2022, through May 07, 2024

Performed by the Office of the Public Auditor

Report Number: 2026-002



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Office of the Public Auditor

26-087
April 30, 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 Reconstructing Cafeteria for Meyuns Elementary School".**

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 Reconstructing Cafeteria for Meyuns Elementary School".

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 RECONSTRUCTING
CAFETERIA FOR MEYUNS ELEMENTARY SCHOOL”**

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

For the period from March 04, 2022, through May 07, 2024

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Office of the Public Auditor

April 30, 2026

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

Dear Director Mechol:

At your request, on behalf of Meyuns Elementary School (MES), the Office of the Public Auditor (OPA) initiated an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for Reconstructing the Cafeteria for Meyuns Elementary School" (Project).

The Embassy of Japan (Embassy) in the Republic of Palau (ROP) awarded MES the sum of \$487,000.00 for the reconstruction of the school's cafeteria. Shown below is the signing ceremony of the Project's Grant Contract between the Embassy and MES on March 04, 2022.



*Signing of Contract on March 04, 2022
Source: Embassy of Japan Website*

The objective of the audit was to determine whether the MES (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) properly recorded the fixed asset, as appropriate, into the Republic of Palau's accounting records.

We reviewed the administration of the 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 development needs of the people in developing countries.

Since 1999, the Embassy has been actively engaged in this program, having funded and implemented 105 projects as of March 2025. These projects primarily focus on education, health, and public welfare. Notably, among the beneficiaries is MES, which received financial assistance to reconstruct the school cafeteria to improve safety standards, ensure proper hygiene, expand food preparation space, and create a comfortable, well-organized dining area for students during breakfast and lunch breaks.

The MES cafeteria was built in the mid-1990s. However, the concrete mix used back then contained a high salt content, which led to erosion of the cafeteria’s foundation and posed significant safety and health risks for students. To address this issue, the Ministry of Education (MOE), in 2021, implemented safety measures by arranging for food to be prepared off-site, with students eating in their classrooms instead.

On March 04, 2022, MES applied for the Japan GGP and was granted \$487,000.00 in funding by the Embassy. This allocation was designated for the procurement of the item listed below, intended to provide a long-term solution to MES’s challenges.

Item	Quantity
Construction Fee	1

Source: Grant Contract Annex

Objective, Scope, and Methodology

The objective of the audit was to determine whether the MES (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) properly recorded the fixed asset, as appropriate, into the Republic of Palau’s accounting records.

The scope of the audit covered the period from March 04, 2022, through May 07, 2024, as well as other period(s), as necessary, to meet the audit objective.

The Government of Japan imposes and requires recipients to follow the GGP procurement guidelines in the procurement of goods and services. In addition, the Embassy maintained control over the Project bank account established for the purpose of the Project. Consequently, we did not assess compliance with the Palau National Government’s procurement regulations, nor did we evaluate adherence to state or national treasury laws and regulations.

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 project records maintained by the Ministry of Education (MOE), Division of Capital Improvement Project (CIP) under the Bureau of Public Works (BPW), and the Bureau of National Treasury (BNT), to assess MES's compliance with the Grant Contract, Side Letter, and the GGP Procurement Guidelines. Additionally, we reviewed project expenditure documents obtained from the BNT, interviewed MOE project administrators, and conducted a site visit to inspect the newly constructed cafeteria at the MES campus.

Grant Contract

In accepting the grant from the Embassy, the MES 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 (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 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, the MES also agreed to additional terms and conditions contained in a “Side Letter” of commitment with the Embassy, stipulating the following:

1. MEYUNS ELEMENTARY SCHOOL will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned project.
2. MEYUNS ELEMENTARY SCHOOL will not withdraw any amount from the said account without prior consent from the Embassy of Japan.
3. MEYUNS ELEMENTARY 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. MEYUNS ELEMENTARY SCHOOL will be responsible for submitting an audit report on the grant issued by Office of the Public Auditor to be provided upon the completion of the Project.
5. MEYUNS ELEMENTARY SCHOOL will inform and consult the Embassy of Japan if any problems, including loss and damage, occur with the granted cafeteria building within 2 years after the completion of the project as part of follow-up.
6. MEYUNS ELEMENTARY SCHOOL will assign the staff who will be in charge of the cafeteria for cleaning and maintenance.
7. MEYUNS ELEMENTARY SCHOOL will be responsible for the regular inspection/maintenance and the fee of the cafeteria and keep the maintenance log.

Project Expenditures

On behalf of the MES, the Contracting Officer for the ROP, who also serves as Director of the Bureau of Public Works, entered into a Construction Contract Agreement with Hanpa Construction Co. (Contractor) on June 22, 2023. As stipulated in the contract, the Contractor is to submit requests for progress payments based on the percentage of work completed for each covered period.

To expedite payments for the Project, the BNT utilized local funds. Upon the complete reconstruction of the school cafeteria, MES, with the approval of the Embassy, transferred \$487,000.00 from the Bank of Hawaii account designated exclusively for the Project to the BNT as a one-time reimbursement.

The total actual project cost of \$513,379.10 exceeded the GGP fund allocation of \$487,000.00 by \$26,379.10, which BNT covered on behalf of MES. **Table 1** below shows local fund disbursements, based on the Contracting Officer’s approval of the Contractor’s applications for progress payments, including cost overrun.

Table 1:
Project Funding and Total Expenditures

Income			
Date Received	Reference:	Description	Amount
03/30/2022	GGP Grant Contract dated 03/04/2022, signed by the Embassy of Japan and MES	Japan Grant Assistance for Grassroot Projects (GGP)	\$487,000.00
Total Funds			\$487,000.00
Expenditure			
File Date	Invoice No.	Description	Amount
08/23/2023	Initial PYMNT	26% of work completed	\$111,826.58
09/20/2023	23-069 PYMNT 02	34% of work completed	\$39,280.92
10/20/2023	23-069 PYMNT 03	51% of work completed	\$74,582.70
01/04/2024	23-069 PYMNT 04	71% of work completed	\$87,491.47
01/25/2024	23-069 PYMNT 05	76% of work completed	\$18,874.81
02/14/2024	23-069 PYMNT 06	79% of work completed	\$14,979.15
03/06/2024	23-069 PYMNT 07	82% of work completed	\$12,418.68
04/09/2024	23-069 PYMNT 08	84% of work completed	\$26,381.09
05/13/2024	23-069 PYMNT 09	89% of work completed	\$27,024.59
04/16/2025	23-069 PYMNT 10	100% of work completed	\$90,251.53
-	-	2% retainage – pending vendor request	\$10,267.58
Total Expenditure			\$513,379.10
BALANCE (Difference)			(\$26,379.10)

Handover Ceremony

The reconstruction of the MES Cafeteria was completed, and a handover ceremony was conducted on May 07, 2024, as shown below.



*Handover Ceremony on May 07, 2024
Source: Embassy of Japan Website*

Finding of Compliance

Based on our audit, we found that the MES administered the GGP fund for the Project in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, the MES, with assistance from the BNT and the CIP, maintained proper controls over the procurement, fund disbursement, and accounting records for the reconstruction of the cafeteria.

MOE's Response:

This is to acknowledge receipt of the draft audit report on the Government of Japan's GGP grant for "The Project for the Reconstructing of Meyuns Elementary School Cafeteria". We extend our sincere gratitude to your office for completing the draft audit report.

After a thorough review, the Ministry of Education, along with Meyuns Elementary School, concur generally with the draft audit report.

We express our most sincere appreciation for your unwavering support. *See Appendix, page 8, for the complete response.*

Conclusion

The MES was granted GGP financial assistance in the amount of \$487,000.00 by the Government of Japan for the reconstruction of the school's Cafeteria. The grant was fully expended to complete the Project, which cost \$513,379.58, with the Republic of Palau covering the excess cost of \$26,379.10, as agreed. Today, the MES provides approximately 154 students with a safe, hygienic, and sufficient space to prepare and serve meals for the foreseeable future. In addition, the cafeteria

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functions as a multipurpose facility, hosting Parent-Teacher Association meetings as well as extracurricular activities for students and the wider community.

The Office of the Public Auditor would like to thank the staff and management of the Ministry of Education, Meyuns Elementary School, Ministry of Finance, CIP, and the Embassy of Japan 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

April 16, 2026

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

Office of the Public Auditor Received	
Date <u>04/16/26</u>	Time <u>8:48 AM</u>
Received By <u>La-Arnle Luckey</u>	
No. OPA <u>26-039</u>	

Dear Public Auditor Tewid:

This is to acknowledge receipt of the draft audit report on Japan GGP grant for the "The Project for Reconstructing Cafeteria for Meyuns Elementary" on April 15, 2026. We extend our sincere gratitude to your office for completing the draft audit report.

After a thorough review, the Ministry of Education along with Meyuns Elementary School concur in general with the draft audit report, except for Finding No. 1- Interim Report Deadline.

In closely scrutinizing our files and verifying with Japan Embassy, we have concluded that two interim reports were submitted to Japan Embassy for this project. The first one on September 21, 2022, which met the six months timeline followed by an updated interim report on November 04, 2022.

Only the second interim report was submitted to the OPA for this performance audit, which is an oversight from our office. Attached for reference are copies of both interim reports including an email message from Japan GGP Grant Coordinator verifying receipt of both reports. We hope this clarification will assist your office clear this finding from the report.

We express our most sincere appreciation for your unwavering support.

Respectfully,

Raynold Mechol
Director of School Operations

Attachments



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

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(Closed on Legal Holidays)